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Organization Development & Change

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Organization Development & Change, 9th Edition

Thomas G. Cummings & Christopher G. Worley

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Dedication

To Chailin and Debbie, the loves of our lives

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preface

In preparing this new edition, we were struck by how the cliché of "living in changing times" is becoming almost ironic. The events of each day remind us that things are moving far more quickly and unpredictably than we could ever have imagined. Consider the U.S. economic turmoil brought on by the mortgage-lending crisis and the record price of crude oil, which seemingly rises independent of consumption. Or think about the run-up to the 2008 U.S. presidential election. It strikes us as just a bit surreal to see the word CHANGE plastered on the speaker's podium and waved by supporters every time Barack Obama comes out to speak. Not to be outdone, Hillary Clinton's key selling point is her emphasis that she has the ability to lead change. By the time the next edition of this book comes out, a new president will be well into her or his first term and we will no doubt have experienced a lot of change.

Nor is change confined to the United States. As we write this, the new prime minister of France is shaking up that country's work rules, organizations, and policies. Beijing is preparing to host the Olympic Games and show the world a whole new China. Countries in Africa are dealing with drought, AIDS, military dictatorships, and the emergence of democracy. The war in Iraq remains a point of contention among many, and the Middle East remains embroiled in controversy and seemingly intractable problems.

Nor is change restricted to governments and organizations. Our personal lives are embedded in change and the dilemmas it poses. Individuals and families are finding that the pace of change exceeds their physical and mental capacity to cope with it. As people experience change accelerating, they tend to feel overwhelmed and alienated. They experience what sociologists call "anomie," a state of being characterized by the lack of social norms or anchors of stable and shared values. Many Americans, for example, want more time with their families but feel compelled to work longer hours, make more money, and satisfy escalating needs; they espouse diversity but push other cultures to do it "the American way"; they argue that technology will find an answer to the global warming problem and so justify acquiring a Hummer.

Nor is change limited to social systems and their environments. Organization Development—the field of planned change itself—is changing. In a time of unprecedented change, our views of how and when planned change occurs, who leads and controls it, and what contributes to its success are all changing. Since the last edition of this text, three OD handbooks have been published, a special issue of the *Journal of Applied Behavioral Science* has been devoted to "reinvigorate OD" and another special issue on international OD is on its way, and volumes on change management and organization transformation have continued to flood the bookstores. Conversations among OD practitioners and scholars about where the field is and should be headed have become more vigorous. The drive to understand and do something about change continues unabated.

In times like these, books on OD and change have never been more relevant and necessary. For our part, this is the ninth edition of the market-leading text in the field. OD is an applied field of change that uses behavioral science knowledge to increase

the capacity for change, and to improve the functioning and performance of organizations. OD is more than change management, however, and the field would do well to differentiate itself from the mechanistic, programmatic assumptions that organization change can simply be scripted by various methods of "involving" people and "enrolling" them in the change. OD is not concerned about change for change's sake, a way to implement the latest fad, or a pawn for doing management's bidding. It is about learning and improving in ways that make individuals, groups, organizations, and ultimately the world better off and more capable of managing change in the future. Moreover, OD is more than a set of values. It is not a front for the promulgation of humanistic and spiritual beliefs nor a set of interventions that boil down to "holding hands and singing Kumbaya." It is a set of testable ideas and practices about how social and technical systems can coexist to produce individual satisfaction and sustainable organizational results. Finally, OD is more than a set of tools and techniques. It is not a bunch of "interventions" looking to be applied in whatever organization that comes along. It is an integrated theory and practice aimed at increasing the effectiveness of organizations.

In today's reality, OD is often misunderstood and its relevance questioned. As mentioned above, OD is often used synonymously with change management; it is often defined and overly constrained by its association with a set of "touchy-feely" values; and it is often described as a hammer looking for a nail. As a result, it is open to discussion whether OD is up to the task of facilitating the changes that organizations need to exist and thrive in the world today. This is OD's challenge in the decade and century ahead. Can it implement change and teach the system to change itself at the same time? Will it cling to its humanistic traditions and focus on functioning or increase its relevance by integrating more performance-related values? How will OD incorporate values related to globalization, cultural integration, the concentration of wealth, and environmental sustainability? Can it afford not to address the issues that threaten an organization's survival? These are heady questions for a field barely 55 years old.

The original edition of this text, authored by OD pioneer Edgar Huse in 1975, became a market leader because it faced the relevance issue. It took an objective, research perspective and placed OD practice on stronger theoretical footing. Ed showed that, in some cases, OD did produce meaningful results but that additional work was still needed. Sadly, Ed passed away following the publication of the second edition. His wife, Mary Huse, asked Tom Cummings to revise the book for subsequent editions. With the fifth edition, Tom asked Chris Worley to work with him in writing the text.

The most recent editions have had an important influence on the perception of OD. While maintaining the book's strengths of even treatment and unbiased reporting, the newer editions made even larger strides in placing OD on a strong theoretical foundation. They broadened the scope and increased the relevance of OD by including interventions that had a content component, including work design, employee involvement, and organization structure. They took another step toward relevance and suggested that OD had begun to incorporate a strategic perspective. This strategic orientation proposed that OD could be as concerned with performance issues as it was with human potential. Effective OD, from this newer perspective, relied as much on knowledge about organization theory and economics as it did on the behavioral sciences. It is our greatest hope that the current edition continues this tradition of rigor and relevance.

REVISIONS TO THE NINTH EDITION

Our goal in the ninth edition is to update the field once again. Although we have retained several features of the prior editions, we have made some important changes.

Strategic Emphasis

In keeping with the increasingly strategic focus of OD, we have expanded the strategic interventions part of the book from two chapters to three chapters. Chapter 20 now describes transformational change and focuses on the interventions and processes associated with episodic forms of large-scale change. There is a whole new section on organization redesign interventions. Chapter 21 is devoted to describing continuous change in organizations, with a new section on built-to-change organizations. Finally, Chapter 22 now combines interventions about multiple organizations, including trans-organizational development, mergers and acquisitions, joint ventures, and networks.

Human Resources Interventions

In addition, the human resources interventions part of the text has been completely reorganized and revised. The original two chapters have been expanded to three chapters. While we retained the performance management chapter, there is a new chapter on developing talent (Chapter 18) that includes training, leadership development, career management, and coaching. Chapter 19 has been refocused on managing workforce diversity, wellness, and stress.

Key Chapter Revisions

Other chapters have received important updates and improvements. In Chapter 14—"Restructuring Organizations"—a new section on "customer-centric" organizations was added to reflect important advances in this area. In Chapter 24—"OD in Health Care, School Systems, the Public Sector, and Family-Owned Businesses"—each section has been completely re-written by new guest authors. Finally, Chapter 25—"Future Directions in Organization Development"—has received a thorough revision based on the authors' recent research.

DISTINGUISHING PEDAGOGICAL FEATURES

The text is designed to facilitate the learning of OD theory and interventions. We maintained the chapter sequence from the previous edition. Based on feedback from reviewers, this format more closely matches the OD process. Instructors can teach the process and then link OD practice to the interventions.

Organization

The ninth edition is organized into seven parts. Following an introductory chapter that describes the definition and history of OD, Part 1 provides an overview of organization development. It discusses the fundamental theories that underlie planned change (Chapter 2) and describes the people who practice it (Chapter 3). Part 2 is an eight-chapter description of the OD process. It describes how OD practitioners enter and contract with client systems (Chapter 4); diagnose organizations, groups, and jobs (Chapters 5 and 6); collect, analyze, and feedback diagnostic data (Chapters 7 and 8); design interventions (Chapter 9); lead and manage change (Chapter 10); and evaluate and institutionalize change (Chapter 11). In this manner, professors can focus on the OD process without distraction. Parts 3, 4, 5, and 6 then cover the major OD interventions used today according to the same classification scheme used in previous editions of the text. Part 3 covers human process interventions; Part 4 describes technostructural approaches; Part 5 presents interventions in human resources management; and Part 6 addresses strategic change interventions. In the final section, Part 7, we cover special applications of OD, including international OD (Chapter 23); OD in health care, family businesses, schools, and the public sector (Chapter 24); and the future of

OD (Chapter 25). We believe this ordering provides professors with more flexibility in teaching OD.

Applications

Within each chapter, we describe actual situations in which different OD techniques or interventions were used. These applications provide students with a chance to see how OD is actually practiced in organizations. In the ninth edition, more than 33% of the applications are new and many others have been updated to maintain the text's currency and relevance. In response to feedback from reviewers, almost all of the applications describe a real situation in a real organization (although sometimes we felt it necessary to use disguised names). In many cases, the organizations are large public companies that should be readily recognizable. We have endeavored to write applications based on our own OD practice or that have appeared in the popular literature. In addition, we have asked several of our students to submit descriptions of their own practice and these applications appear throughout the text. The time and effort to produce these vignettes of OD practice for others is gratefully acknowledged.

Cases

At the end of each major part in the book, we have included cases to permit a more in-depth discussion of the OD process. Seven of the 16 cases are new to the ninth edition. We have kept some cases that have been favorites over the years but have also replaced some of the favorites with newer ones. Also in response to feedback from users of the text, we have endeavored to provide cases that vary in levels of detail, complexity, and sophistication to allow the professor some flexibility in teaching the material to either undergraduate or graduate students.

Internet Resources

Throughout the book, we have tried to provide references to the Internet, particularly to sites related to the organizations discussed. Although these sites are often updated, moved, or altogether abandoned (so we cannot guarantee that the links will be maintained as cited), these provide students with an opportunity to explore the information available on the Internet.

Audience

This book can be used in a number of different ways and by a variety of people. First, it serves as a primary textbook in organization development for students at both the undergraduate and graduate levels. Second, the book can also serve as an independent study guide for individuals wishing to learn more about how organization development can improve productivity and human satisfaction. Third, the book is intended to be of value to OD professionals, executives and administrators, specialists in such fields as personnel, training, occupational stress, and human resources management, and anyone interested in the complex process known as organization development.

EDUCATIONAL AIDS AND SUPPLEMENTS

Instructor's Manual with Test Bank (ISBN: 0-324-58057-6)

To assist instructors in the delivery of a course on organization development, an instructor's manual is available. It has been revised in response to feedback from users. The manual contains material that can improve the student's appreciation of OD and improve the instructor's effectiveness in the classroom.

Chapter Objectives and Lecture Notes For each chapter, summary learning objectives provide a quick orientation to the chapter's material. The material in the chapter is then outlined and comments are made concerning important pedagogical points, such as crucial assumptions that should be noted for students, important aspects of practical application, and alternative points of view that might be used to enliven class discussion.

Exam Questions A variety of multiple choice, true/false, and essay questions are suggested for each chapter. Instructors can use these questions directly or to suggest additional questions reflecting the professor's own style.

Case Notes For each case in the text, teaching notes have been developed to assist instructors in preparing for case discussions. The notes provide an outline of the case, suggestions about where to place the case during the course, discussion questions to focus student attention, and an analysis of the case situation. In combination with the professor's own insights, the notes can help to enliven the case discussion or role plays.

Audiovisual Materials Finally, a list is included of films, videos, and other materials that can be used to supplement different parts of the text, along with the addresses and phone numbers of vendors that supply the materials.

Instructor's Resource CD-ROM (0-324-58058-4)

Key instructor ancillaries (Instructor's Manual, Test Bank, ExamView, and PowerPoint slides) are provided on CD-ROM, giving instructors the ultimate tool for customizing lectures and presentations.

ExamView

Available on the Instructor's Resource CD-ROM, ExamView contains all of the questions in the printed Test Bank. This program is an easy-to-use test creation software compatible with Microsoft Windows. Instructors can add or edit questions, instructions, and answers, and select questions (randomly or numerically) by previewing them on the screen. Instructors can also create and administer quizzes online, whether over the Internet, a local area network (LAN), or a wide area network (WAN).

PowerPoint TM Presentation Slides

Available on the Instructor's Resource CD-ROM and the Web site, the PowerPoint presentation package consists of tables and figures used in the book. These colorful slides can greatly aid the integration of text material during lectures and discussions.

Web Site

A rich Web site at http://academic.cengage.com/management/cummings complements the text, providing many extras for the student and instructor.

ACKNOWLEDGMENTS

Our friends and colleagues are always asking about "the text." "Why did you include that?" "Why didn't you include this?" "When are you going to revise it again?" "I have some suggestions that might improve this section." And so on. It is gratifying, after eight (and now nine) editions, that people find the book provocative, refer to it, use it to guide their practice, and assign it as required reading in their courses. Even though the text is revised every three years or so, it seems to be a common subject of conversation whenever we get together with our OD colleagues and students. When it does come time for revision, it provides us a chance to refresh, renew, and reestablish

our relationship with them. “What have you heard about what’s new in OD?” “How’s your family?” “Do you think we should reorganize the book?” “What’s next in your career?” “Did you see that article in (pick a journal or magazine)?” “What have you been reading lately?”

And then the research, reading, writing, editing, and proofing begins. Writing, debates, and editing occupy most of our time. “Can we say that better, more efficiently, and more clearly?” “Should we create a new section or revise the existing one?” “Do you really think people want to read that?” The permission requests go out and come in quickly . . . at least most of them. Follow up faxes, reminder e-mails, and urgent phone calls are made. The search for new cases and applications is an ongoing activity. “Where can we find good descriptions of change?” “Would you be willing to write up that case?” Deadlines come . . . and go. The copy editing process is banter between two strangers. “No, no, no, I *meant* to say that.” “Yes, that’s a good idea, I hadn’t thought of that.” Six months into it, our wives start to ask, “When will it be done?” Then, the result of having done this before, they ask, “no, I meant when will it be done, done?” When the final proofs arrive, things start to look finished. We get to see the art work and the cover design, and a new set of problems emerge. “Where did *that* come from?” “No, this goes there, that goes here.” Doesn’t this sound fun?

So, yes, we continue to hope that our readers, colleagues, and friends ask us about “the text.” We like talking about it, discussing it, and hearing about what we did right or wrong. But please don’t ask us about *writing* “the text.” We’re very happy to be done (yes, done, done).

Finally, we’d like to thank those who supported us in this effort. We are grateful to our families: Chailin Cummings and the Worley clan, Debbie, Sarah, Hannah, and Samuel. We would also like to thank our students for their comments on the previous edition, for contributing many of the applications, and for helping us to try out new ideas and perspectives. A particular word of thanks goes to Gordon Brooks, Brigette Worthen, and the Pepperdine MSOD faculty (Ann Feyerherm, Miriam Lacey, Terri Egan, and Gary Mangiofico). Our colleagues at USC’s Center for Effective Organizations—Ed Lawler, Sue Mohrman, John Boudreau, Alec Levenson, Jim O’Toole, Jay Conger, and Jay Galbraith—have been consistent sources of support and intellectual inquiry. As well, the following individuals reviewed the text and influenced our thinking with their honest and constructive feedback:

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Thomas G. Cummings
Palos Verdes Estates, California

Christopher G. Worley
San Juan Capistrano, California

March, 2008

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General Introduction to Organization Development

This is a book about organization development (OD)—a process that applies a broad range of behavioral science knowledge and practices to help organizations build their capacity to change and to achieve greater effectiveness, including increased financial performance, customer satisfaction, and organization member engagement. Organization development differs from other planned change efforts, such as project management or innovation, because the focus is on building the organization's ability to assess its current functioning and to achieve its goals. Moreover, OD is oriented to improving the total system—the organization and its parts in the context of the larger environment that affects them.

This book reviews the broad background of OD and examines assumptions, strategies and models, intervention techniques, and other aspects of OD. This chapter provides an introduction to OD, describing first the concept of OD itself. Second, it explains why OD has expanded rapidly in the past 50 years, both in terms of people's need to work with and through others in organizations and in terms of organizations' need to adapt in a complex and changing world. Third, it reviews briefly the history of OD, and fourth, it describes the evolution of OD into its current state. This introduction to OD is followed by an overview of the rest of the book.

ORGANIZATION DEVELOPMENT DEFINED

Organization development is both a professional field of social action and an area of scientific inquiry. The practice of OD covers a wide spectrum of activities, with seemingly endless variations upon them. Team building with top corporate management, structural change in a municipality, and job enrichment in a manufacturing firm are all examples of OD. Similarly, the study of OD addresses a broad range of topics, including the effects of change, the methods of organizational change, and the factors influencing OD success.

A number of definitions of OD exist and are presented in Table 1.1. Each definition has a slightly different emphasis. For example, Burke's description focuses attention on culture as the target of change; French's definition is concerned with OD's long-term interest and the use of consultants; and Beckhard's and Beer's definitions address the process of OD. More recently, Burke and Bradford's definition broadens the range and interests of OD. Worley and Feyerherm suggested that for a process to be called organization development, (1) it must focus on or result in the change of some aspect of the organizational system; (2) there must be learning or the transfer of knowledge or skill to the client system; and (3) there must be evidence of improvement in or an intention to improve the effectiveness of the client system.[1] The following definition incorporates most of these views and is used in this book: *Organization development is a systemwide application and transfer of behavioral science knowledge to the planned development,*

[Table 1.1]

Definitions of Organization Development

- Organization development is a planned process of change in an organization's culture through the utilization of behavioral science technology, research, and theory. (Warner Burke)[2]
- Organization development refers to a long-range effort to improve an organization's problem-solving capabilities and its ability to cope with changes in its external environment with the help of external or internal behavioral-scientist consultants, or change agents, as they are sometimes called. (Wendell French)[3]
- Organization development is an effort (1) planned, (2) organization-wide, and (3) managed from the top, to (4) increase organization effectiveness and health through (5) planned interventions in the organization's "processes," using behavioral science knowledge. (Richard Beckhard)[4]
- Organization development is a systemwide process of data collection, diagnosis, action planning, intervention, and evaluation aimed at (1) enhancing congruence among organizational structure, process, strategy, people, and culture; (2) developing new and creative organizational solutions; and (3) developing the organization's self-renewing capacity. It occurs through the collaboration of organizational members working with a change agent using behavioral science theory, research, and technology. (Michael Beer)[5]
- Based on (1) a set of values, largely humanistic; (2) application of the behavioral sciences; and (3) open systems theory, organization development is a system-wide process of planned change aimed toward improving overall organization effectiveness by way of enhanced congruence of such key organization dimensions as external environment, mission, strategy, leadership, culture, structure, information and reward systems, and work policies and procedures. (Warner Burke and David Bradford)[6]

improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness. This definition emphasizes several features that differentiate OD from other approaches to organizational change and improvement, such as management consulting, innovation, project management, and operations management. The definition also helps to distinguish OD from two related subjects, *change management* and *organization change,* that also are addressed in this book.

First, OD applies to changes in the strategy, structure, and/or processes of an entire system, such as an organization, a single plant of a multiplant firm, a department or work group, or individual role or job. A change program aimed at modifying an organization's strategy, for example, might focus on how the organization relates to a wider environment and on how those relationships can be improved. It might include changes both in the grouping of people to perform tasks (structure) and in methods of communicating and solving problems (process) to support the changes in strategy. Similarly, an OD program directed at helping a top management team become more effective might focus on interactions and problem-solving processes within the group. This focus might result in the improved ability of top management to solve company problems in strategy and structure. This contrasts with approaches focusing on one or only a few aspects of a system, such as technological innovation or operations management. In these approaches, attention is narrowed to improvement of particular products or processes, or to development of production or service delivery functions.

Second, OD is based on the application and transfer of behavioral science knowledge and practice, including microconcepts, such as leadership, group dynamics, and work design, and macroapproaches, such as strategy, organization design, and international

relations. These subjects distinguish OD from such applications as management consulting, technological innovation, or operations management that emphasize the economic, financial, and technical aspects of organizations. These approaches tend to neglect the personal and social characteristics of a system. Moreover, OD is distinguished by its intent to transfer behavioral science knowledge and skill so that the system is more capable of carrying out planned change in the future.

Third, OD is concerned with managing planned change, but not in the formal sense typically associated with management consulting or project management, which tends to comprise programmatic and expert-driven approaches to change. Rather, OD is more an adaptive process for planning and implementing change than a blueprint for how things should be done. It involves planning to diagnose and solve organizational problems, but such plans are flexible and often revised as new information is gathered as the change program progresses. If, for example, there was concern about the performance of a set of international subsidiaries, a reorganization process might begin with plans to assess the current relationships between the international divisions and the corporate headquarters and to redesign them if necessary. These plans would be modified if the assessment discovered that most of the senior management teams were not given adequate cross-cultural training prior to their international assignments.

Fourth, OD involves the design, implementation, and the subsequent reinforcement of change. It moves beyond the initial efforts to implement a change program to a longer-term concern for appropriately institutionalizing new activities within the organization. For example, implementing self-managed work teams might focus on ways in which supervisors could give workers more control over work methods. After workers had more control, attention would shift to ensuring that supervisors continued to provide that freedom. That assurance might include rewarding supervisors for managing in a participative style. This attention to reinforcement is similar to training and development approaches that address maintenance of new skills or behaviors, but it differs from other change perspectives that do not address how a change can be institutionalized.

Finally, OD is oriented to improving organizational effectiveness. Effectiveness is best measured along three dimensions. First, OD affirms that an effective organization is adaptable; it is able to solve its own problems and focus attention and resources on achieving key goals. OD helps organization members gain the skills and knowledge necessary to conduct these activities by involving them in the change process. Second, an effective organization has high financial and technical performance, including sales growth, acceptable profits, quality products and services, and high productivity. OD helps organizations achieve these ends by leveraging social science practices to lower costs, improve products and services, and increase productivity. Finally, an effective organization has satisfied and loyal customers or other external stakeholders and an engaged, satisfied, and learning workforce. The organization's performance responds to the needs of external groups, such as stockholders, customers, suppliers, and government agencies, which provide the organization with resources and legitimacy. Moreover, it is able to attract and motivate effective employees, who then perform at higher levels. Other forms of organizational change clearly differ from OD in their focus. Management consulting, for example, primarily addresses financial performance, whereas operations management or industrial engineering focuses on productivity.

Organization development can be distinguished from change management and organizational change. OD and change management both address the effective implementation of planned change. They are both concerned with the sequence of activities, processes, and leadership issues that produce organization improvements. They differ, however, in their underlying value orientation. OD's behavioral science foundation supports values of human potential, participation, and development in addition to

performance and competitive advantage. Change management focuses more narrowly on values of cost, quality, and schedule.[7] As a result, OD's distinguishing feature is its concern with the transfer of knowledge and skill so that the system is more able to manage change in the future. Change management does not necessarily require the transfer of these skills. In short, all OD involves change management, but change management may not involve OD.

Similarly, organizational change is a broader concept than OD. As discussed above, organization development can be applied to managing organizational change. However, it is primarily concerned with managing change in such a way that knowledge and skills are transferred to build the organization's capability to achieve goals and solve problems. It is intended to change the organization in a particular direction, toward improved problem solving, responsiveness, quality of work life, and effectiveness. Organizational change, in contrast, is more broadly focused and can apply to any kind of change, including technical and managerial innovations, organization decline, or the evolution of a system over time. These changes may or may not be directed at making the organization more developed in the sense implied by OD.

The behavioral sciences have developed useful concepts and methods for helping organizations to deal with changing environments, competitor initiatives, technological innovation, globalization, or restructuring. They help managers and administrators to manage the change process. Many of these concepts and techniques are described in this book, particularly in relation to managing change.

THE GROWTH AND RELEVANCE OF ORGANIZATION DEVELOPMENT

In each of the previous editions of this book, we argued that organizations must adapt to increasingly complex and uncertain technological, economic, political, and cultural changes. We also argued that OD could help an organization to create effective responses to these changes and, in many cases, to proactively influence the strategic direction of the firm. The rapidly changing conditions of the past few years confirm our arguments and accentuate their relevance. According to several observers, organizations are in the midst of unprecedented uncertainty and chaos, and nothing short of a management revolution will save them.[8] Three major trends are shaping change in organizations: globalization, information technology, and managerial innovation.[9]

First, *globalization* is changing the markets and environments in which organizations operate as well as the way they function. New governments, new leadership, new markets, and new countries are emerging and creating a new global economy with both opportunities and threats.[10] The toppling of the Berlin Wall symbolized and energized the reunification of Germany; the European Union created a cohesive economic block that alters the face of global markets; entrepreneurs appeared in Russia, the Balkans, and Siberia to transform the former Soviet Union; terrorism has reached into every corner of economic and social life; and China is emerging as an open market and global economic influence. The rapid spread of Severe Acute Respiratory Syndrome (SARS) and its economic impact clearly demonstrated the interconnectedness among the social environment, organizations, and the global economy.

Second, *information technology* is redefining the traditional business model by changing how work is performed, how knowledge is used, and how the cost of doing business is calculated. The way an organization collects, stores, manipulates, uses, and transmits information can lower costs or increase the value and quality of products and services. Information technology, for example, is at the heart of emerging e-commerce strategies and organizations. Amazon.com, Yahoo!, and eBay are among

the survivors of a busted dot-com bubble, Google has emerged as a major competitor to Microsoft, and the amount of business being conducted on the Internet is projected to grow at double-digit rates. Moreover, the underlying rate of innovation is not expected to decline. Electronic data interchange—a state-of-the-art technology application a few years ago—is now considered routine business practice. The ability to move information easily and inexpensively throughout and among organizations has fueled the downsizing, delayering, and restructuring of firms. The Internet has enabled a new form of work known as telecommuting; organization members from Captial One and Cigna can work from their homes without ever going to the office. Finally, information technology is changing how knowledge is used. Information that is widely shared reduces the concentration of power at the top of the organization. In choosing "You" as the 2006 Person of the Year, *Time* magazine noted that the year was "a story about community and collaboration on a scale never seen before. It's about . . . Wikipedia . . . YouTube and . . . MySpace. It's about the many wresting power from the few and helping one another for nothing and *how that will not only change the world, but also change the way the world changes* (emphasis added)."[11] Organization members now share the same key information that senior managers once used to control decision making.

Third, *managerial innovation* has responded to the globalization and information technology trends and has accelerated their impact on organizations. New organizational forms, such as networks, strategic alliances, and virtual corporations, provide organizations with new ways of thinking about how to manufacture goods and deliver services. The strategic alliance, for example, has emerged as one of the indispensable tools in strategy implementation. No single organization, not even IBM, Mitsubishi, or General Electric, can control the environmental and market uncertainty it faces. Sun Microsystems' network is so complex that some products it sells are never touched by a Sun employee. In addition, change innovations, such as downsizing or reengineering, have radically reduced the size of organizations and increased their flexibility; new large-group interventions, such as the search conference and open space, have increased the speed with which organizational change can take place; and organization learning interventions have acknowledged and leveraged knowledge as a critical organizational resource.[12] Managers, OD practitioners, and researchers argue that these forces not only are powerful in their own right but are interrelated. Their interaction makes for a highly uncertain and chaotic environment for all kinds of organizations, including manufacturing and service firms and those in the public and private sectors. There is no question that these forces are profoundly affecting organizations.

Fortunately, a growing number of organizations are undertaking the kinds of organizational changes needed to survive and prosper in today's environment. They are making themselves more streamlined and nimble, more responsive to external demands, and more ecologically sustainable. They are involving employees in key decisions and paying for performance rather than for time. They are taking the initiative in innovating and managing change, rather than simply responding to what has already happened.

Organization development plays a key role in helping organizations change themselves. It helps organizations assess themselves and their environments and revitalize and rebuild their strategies, structures, and processes. OD helps organization members go beyond surface changes to transform the underlying assumptions and values governing their behaviors. The different concepts and methods discussed in this book increasingly are finding their way into government agencies, manufacturing firms, multinational corporations, service industries, educational institutions, and not-for-profit organizations. Perhaps at no other time has OD been more responsive and practically relevant to organizations' needs to operate effectively in a highly complex and changing world.

OD is obviously important to those who plan a professional career in the field, either as an internal consultant employed by an organization or as an external consultant practicing in many organizations. A career in OD can be highly rewarding, providing challenging and interesting assignments working with managers and employees to improve their organizations and their work lives. In today's environment, the demand for OD professionals is rising rapidly. For example, large professional services firms must have effective "change management" practices to be competitive. Career opportunities in OD should continue to expand in the United States and abroad.

Organization development also is important to those who have no aspirations to become professional practitioners. All managers and administrators are responsible for supervising and developing subordinates and for improving their departments' performance. Similarly, all staff specialists, such as financial analysts, engineers, information technologists, or market researchers, are responsible for offering advice and counsel to managers and for introducing new methods and practices. Finally, OD is important to general managers and other senior executives because OD can help the whole organization be more flexible, adaptable, and effective.

Organization development can also help managers and staff personnel perform their tasks more effectively. It can provide the skills and knowledge necessary for establishing effective interpersonal relationships. It can show personnel how to work effectively with others in diagnosing complex problems and in devising appropriate solutions. It can help others become committed to the solutions, thereby increasing chances for their successful implementation. In short, OD is highly relevant to anyone having to work with and through others in organizations.

A SHORT HISTORY OF ORGANIZATION DEVELOPMENT

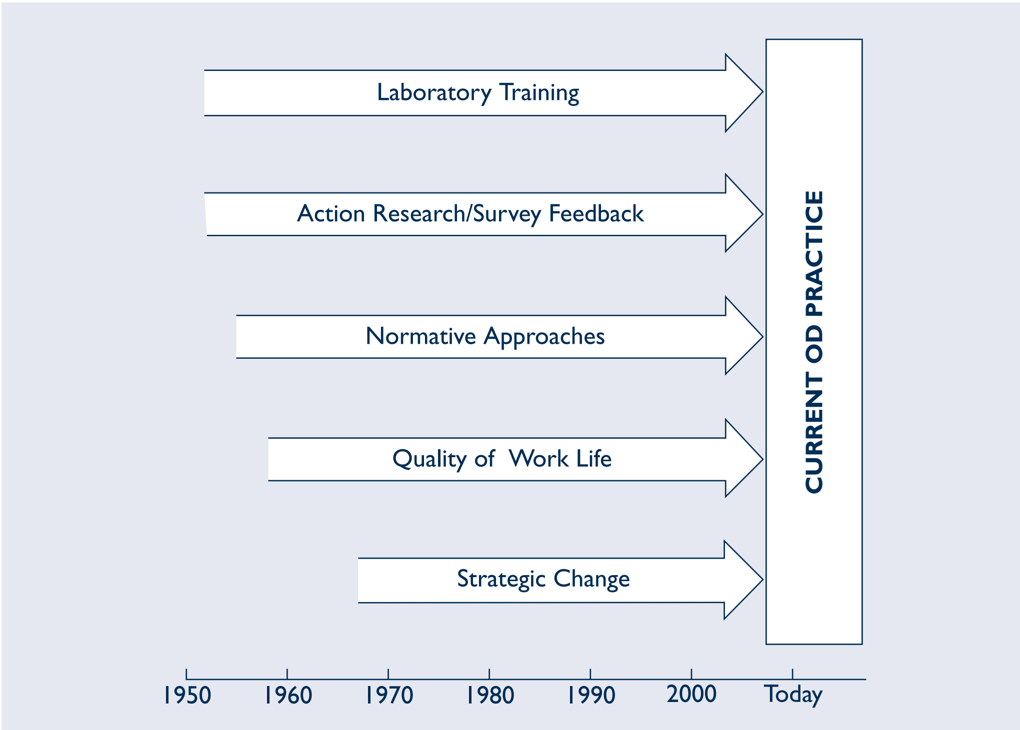
A brief history of OD will help to clarify the evolution of the term as well as some of the problems and confusion that have surrounded it. As currently practiced, OD emerged from five major backgrounds or stems, as shown in Figure 1.1. The first was the growth of the National Training Laboratories (NTL) and the development of training groups, otherwise known as sensitivity training or T-groups. The second stem of OD was the classic work on action research conducted by social scientists interested in applying research to managing change. An important feature of action research was a technique known as survey feedback. Kurt Lewin, a prolific theorist, researcher, and practitioner in group dynamics and social change, was instrumental in the development of T-groups, survey feedback, and action research. His work led to the creation of OD and still serves as a major source of its concepts and methods. The third stem reflects a normative view of OD. Rensis Likert's participative management framework and Blake and Mouton's Grid® OD suggest a "one best way" to design and operate organizations. The fourth background is the approach focusing on productivity and the quality of work life. The fifth stem of OD, and the most recent influence on current practice, involves strategic change and organization transformation.

Laboratory Training Background

This stem of OD pioneered laboratory training, or the T-group—a small, unstructured group in which participants learn from their own interactions and evolving group processes about such issues as interpersonal relations, personal growth, leadership, and group dynamics. Essentially, laboratory training began in the summer of 1946, when Kurt Lewin and his staff at the Research Center for Group Dynamics at the Massachusetts Institute of Technology (MIT) were asked by the Connecticut Interracial Commission and the Committee on Community Interrelations of the

[Figure 1.1]

The Five Stems of OD Practice



American Jewish Congress for help in research on training community leaders. A workshop was developed, and the community leaders were brought together to learn about leadership and to discuss problems. At the end of each day, the researchers discussed privately what behaviors and group dynamics they had observed. The community leaders asked permission to sit in on these feedback sessions. Reluctant at first, the researchers finally agreed. Thus, the first T-group was formed in which people reacted to data about their own behavior.[13] The researchers drew two conclusions about this first T-group experiment: (1) Feedback about group interaction was a rich learning experience, and (2) the process of "group building" had potential for learning that could be transferred to "back-home" situations.[14]

As a result of this experience, the Office of Naval Research and the National Education Association provided financial backing to form the National Training Laboratories, and Gould Academy in Bethel, Maine, was selected as a site for further work (since then, Bethel has played an important part in NTL). The first Basic Skill Groups were offered in the summer of 1947. The program was so successful that the Carnegie Foundation provided support for programs in 1948 and 1949. This led to a permanent program for NTL within the National Education Association.

In the 1950s, three trends emerged: (1) the emergence of regional laboratories, (2) the expansion of summer program sessions to year-round sessions, and (3) the expansion of the T-group into business and industry, with NTL members becoming increasingly involved with industry programs. Notable among these industry efforts was the pioneering work of Douglas McGregor at Union Carbide, of Herbert Shepard and Robert Blake at Esso Standard Oil (now ExxonMobil), of McGregor and Richard Beckhard at General Mills, and of Bob Tannenbaum at TRW Space Systems.[15]

Applications of T-group methods at these companies spawned the term "organization development" and, equally important, led corporate personnel and industrial relations specialists to expand their roles to offer internal consulting services to managers.[16]

Over time, T-groups have declined as an OD intervention. They are closely associated with that side of OD's reputation as a "touchy-feely" process. NTL, as well as UCLA and Stanford, continues to offer T-groups to the public, a number of proprietary programs continue to thrive, and Pepperdine University and American University continue to utilize T-groups as part of master's level OD practitioner education. The practical aspects of T-group techniques for organizations gradually became known as team building—a process for helping work groups become more effective in accomplishing tasks and satisfying member needs. Team building is one of the most common and institutionalized forms of OD today.

Action Research and Survey Feedback Background

Kurt Lewin also was involved in the second movement that led to OD's emergence as a practical field of social science. This second background refers to the processes of action research and survey feedback. The action research contribution began in the 1940s with studies conducted by social scientists John Collier, Kurt Lewin, and William Whyte. They discovered that research needed to be closely linked to action if organization members were to use it to manage change. A collaborative effort was initiated between organization members and social scientists to collect research data about an organization's functioning, to analyze it for causes of problems, and to devise and implement solutions. After implementation, further data were collected to assess the results, and the cycle of data collection and action often continued. The results of action research were twofold: Members of organizations were able to use research on themselves to guide action and change, and social scientists were able to study that process to derive new knowledge that could be used elsewhere.

Among the pioneering action research studies were the work of Lewin and his students at the Harwood Manufacturing Company[17] and the classic research by Lester Coch and John French on overcoming resistance to change.[18] The latter study led to the development of participative management as a means of getting employees involved in planning and managing change. Other notable action research contributions included Whyte and Edith Hamilton's famous study of Chicago's Tremont Hotel[19] and Collier's efforts to apply action research techniques to improving race relations when he was commissioner of Indian affairs from 1933 to 1945.[20] These studies did much to establish action research as integral to organization change. Today, it is the backbone of many OD applications.

A key component of most action research studies was the systematic collection of survey data that were fed back to the client organization. Following Lewin's death in 1947, his Research Center for Group Dynamics at MIT moved to Michigan and joined with the Survey Research Center as part of the Institute for Social Research. The institute was headed by Rensis Likert, a pioneer in developing scientific approaches to attitude surveys. His doctoral dissertation at Columbia University developed the widely used 5-point "Likert Scale."[21]

In an early study by the institute, Likert and Floyd Mann administered a companywide survey of management and employee attitudes at Detroit Edison.[22] The feedback process that evolved was an "interlocking chain of conferences." The major findings of the survey were first reported to the top management and then transmitted throughout the organization. The feedback sessions were conducted in task groups, with supervisors and their immediate subordinates discussing the data together. Although there was little substantial research evidence, the researchers intuitively felt that this was a powerful process for change.

In 1950, eight accounting departments asked for a repeat of the survey, thus generating a new cycle of feedback meetings. In four departments, feedback approaches were used, but the method varied; two departments received feedback only at the departmental level; and because of changes in key personnel, nothing was done in the remaining two departments.

A third follow-up study indicated that more significant and positive changes, such as job satisfaction, had occurred in the departments receiving feedback than in the two departments that did not participate. From those findings, Likert and Mann derived several conclusions about the effects of survey feedback on organization change. This led to extensive applications of survey-feedback methods in a variety of settings. The common pattern of data collection, data feedback, action planning, implementation, and follow-up data collection in both action research and survey feedback can be seen in these examples.

Normative Background

The intellectual and practical advances from the laboratory training stem and the action research/survey-feedback stem were followed closely by the belief that a human relations approach represented a "one best way" to manage organizations. This normative belief was exemplified in research that associated Likert's Participative Management (System 4, as outlined below) style and Blake and Mouton's Grid OD program with organizational effectiveness.[23]

Likert's Participative Management Program characterized organizations as having one of four types of management systems:[24]

- **Exploitive authoritative systems** (System 1) exhibit an autocratic, top-down approach to leadership. Employee motivation is based on punishment and occasional rewards. Communication is primarily downward, and there is little lateral interaction or teamwork. Decision making and control reside primarily at the top of the organization. System 1 results in mediocre performance.
- **Benevolent authoritative systems** (System 2) are similar to System 1, except that management is more paternalistic. Employees are allowed a little more interaction, communication, and decision making but within boundaries defined by management.
- **Consultative systems** (System 3) increase employee interaction, communication, and decision making. Although employees are consulted about problems and decisions, management still makes the final decisions. Productivity is good, and employees are moderately satisfied with the organization.
- **Participative group systems** (System 4) are almost the opposite of System 1. Designed around group methods of decision making and supervision, this system fosters high degrees of member involvement and participation. Work groups are highly involved in setting goals, making decisions, improving methods, and appraising results. Communication occurs both laterally and vertically, and decisions are linked throughout the organization by overlapping group membership. System 4 achieves high levels of productivity, quality, and member satisfaction.

Likert applied System 4 management to organizations using a survey-feedback process. The intervention generally started with organization members completing the *Profile of Organizational Characteristics*.[25] The survey asked members for their opinions about both the present and ideal conditions of six organizational features: leadership, motivation, communication, decisions, goals, and control. In the second stage, the data were fed back to different work groups within the organization. Group members examined the discrepancy between their present situation and their ideal, generally using System 4

as the ideal benchmark, and generated action plans to move the organization toward System 4 conditions.

Blake and Mouton's Grid Organization Development originated from research about managerial and organizational effectiveness.[26] Data gathered on organizational excellence from 198 organizations located in the United States, Japan, and Great Britain found that the two foremost barriers to excellence were planning and communications.[27] Each of these barriers was researched further to understand its roots, and the research resulted in a normative model of leadership—the Managerial Grid.

According to the Managerial Grid, an individual's style can be described according to his or her concern for production and concern for people.[28] A concern for production covers a range of behaviors, such as accomplishing productive tasks, developing creative ideas, making quality policy decisions, establishing thorough and high-quality staff services, or creating efficient workload measurements. Concern for production is not limited to things but also may involve human accomplishment within the organization, regardless of the assigned tasks or activities. A concern for people encompasses a variety of issues, including concern for the individual's personal worth, good working conditions, a degree of involvement or commitment to completing the job, security, a fair salary structure and fringe benefits, and good social and other relationships. Each dimension is measured on a 9-point scale and results in 81 possible leadership styles.

For example, 1,9 managers have a low concern for production and a high concern for people: They view people's feelings, attitudes, and needs as valuable in their own right. This type of manager strives to provide subordinates with work conditions that provide ease, security, and comfort. On the other hand, 9,1 managers have a high concern for production but a low concern for people: They minimize the attitudes and feelings of subordinates and give little attention to individual creativity, conflict, and commitment. As a result, the focus is on the work organization.

Blake and Mouton proposed that the 9,9 managerial style is the most effective in overcoming the communications barrier to corporate excellence. The basic assumptions behind this managerial style differ qualitatively and quantitatively from those underlying the other managerial styles, which assume there is an inherent conflict between the needs of the organization and the needs of people. By showing a high concern for both people and production, managers allow employees to think and to influence the organization, thus promoting active support for organizational plans. Employee participation means that better communication is critical; therefore, necessary information is shared by all relevant parties. Moreover, better communication means self-direction and self-control, rather than unquestioning, blind obedience. Organizational commitment arises out of discussion, deliberation, and debate over major organizational issues.

One of the most structured interventions in OD, Blake and Mouton's Grid Organization Development has two key objectives: to improve planning by developing a strategy for organizational excellence based on clear logic, and to help managers gain the necessary knowledge and skills to supervise effectively. It consists of six phases designed to analyze an entire business and to overcome the planning and communications barriers to corporate excellence. The first phase is the Grid Seminar, a 1-week program where participants analyze their personal style and learn methods of problem solving. Phase two consists of team development and phase three involves intergroup development. In phase four, an ideal model of organizational excellence is developed and in phase five, the model is implemented. The final phase consists of an evaluation of the organization.

Despite some research support, the normative approach to change has given way to a contingency view that acknowledges the influence of the external environment, technology, and other forces in determining the appropriate organization design and management practices. Still, Likert's participative management and Blake and Mouton's Grid OD frameworks are both used in organizations today.

Productivity and Quality-of-Work-Life Background

The contribution of the productivity and quality-of-work-life (QWL) background to OD can be described in two phases. The first phase is described by the original projects developed in Europe in the 1950s and their emergence in the United States during the 1960s. Based on the research of Eric Trist and his colleagues at the Tavistock Institute of Human Relations in London, early practitioners in Great Britain, Ireland, Norway, and Sweden developed work designs aimed at better integrating technology and people.[29] These QWL programs generally involved joint participation by unions and management in the design of work and resulted in work designs giving employees high levels of discretion, task variety, and feedback about results. Perhaps the most distinguishing characteristic of these QWL programs was the discovery of self-managing work groups as a form of work design. These groups were composed of multiskilled workers who were given the necessary autonomy and information to design and manage their own task performances.

As these programs migrated to America, a variety of concepts and techniques were adopted and the approach tended to be more mixed than in European practice. For example, two definitions of QWL emerged during its initial development.[30] QWL was first defined in terms of people's reaction to work, particularly individual outcomes related to job satisfaction and mental health. Using this definition, QWL focused primarily on the personal consequences of the work experience and how to improve work to satisfy personal needs.

A second definition of QWL defined it as an approach or method.[31] People defined QWL in terms of specific techniques and approaches used for improving work.[32] It was viewed as synonymous with methods such as job enrichment, self-managed teams, and labor–management committees. This technique orientation derived mainly from the growing publicity surrounding QWL projects, such as the General Motors–United Auto Workers project at Tarrytown and the Gaines Pet Food plant project. These pioneering projects drew attention to specific approaches for improving work.

The excitement and popularity of this first phase of QWL in the United States lasted until the mid-1970s, when other more pressing issues, such as inflation and energy costs, diverted national attention. However, starting in 1979, a second phase of QWL activity emerged. A major factor contributing to the resurgence of QWL was growing international competition faced by the United States in markets at home and abroad. It became increasingly clear that the relatively low cost and high quality of foreign-made goods resulted partially from the management practices used abroad, especially in Japan. Books extolling the virtues of Japanese management, such as Ouchi's *Theory Z*,[33] made best-seller lists.

As a result, QWL programs expanded beyond their initial focus on work design to include other features of the workplace that can affect employee productivity and satisfaction, such as reward systems, work flows, management styles, and the physical work environment. This expanded focus resulted in larger-scale and longer-term projects than had the early job enrichment programs and shifted attention beyond the individual worker to work groups and the larger work context. Equally important, it added the critical dimension of organizational efficiency to what had been up to that time a primary concern for the human dimension.

At one point, the productivity and QWL approach became so popular that it was called an ideological movement. This was particularly evident in the spread of quality circles within many companies. Popularized in Japan, quality circles are groups of employees trained in problem-solving methods that meet regularly to resolve work-environment, productivity, and quality-control concerns and to develop more efficient ways of working. At the same time, many of the QWL programs started in the early 1970s were achieving success. Highly visible corporations, such as General Motors, Ford, and Honeywell, and unions, such as the United Automobile Workers, the Oil, Chemical, and Atomic Workers, the Communications Workers of America, and the Steelworkers,

were more willing to publicize their QWL efforts. In 1980, for example, more than 1,800 people attended an international QWL conference in Toronto, Canada. Unlike previous conferences, which were dominated by academics, the presenters at Toronto were mainly managers, workers, and unionists from private and public corporations.

Today, this second phase of QWL activity continues primarily under the banner of "employee involvement" (EI) as well as total quality management and six-sigma programs, rather than of QWL. For many OD practitioners, the term EI signifies, more than the name QWL, the growing emphasis on how employees can contribute more to running the organization so it can be more flexible, productive, and competitive. Recently, the term "employee empowerment" has been used interchangeably with the term EI, the former suggesting the power inherent in moving decision making downward in the organization.[34] *Employee empowerment* may be too restrictive, however. Because it draws attention to the power aspects of these interventions, it may lead practitioners to neglect other important elements needed for success, such as information, skills, and rewards. Consequently, EI seems broader and less restrictive than does employee empowerment as a banner for these approaches to organizational improvement.

Strategic Change Background

The strategic change background is a recent influence on OD's evolution. As organizations and their technological, political, and social environments have become more complex and more uncertain, the scale and intricacies of organizational change have increased. This trend has produced the need for a strategic perspective from OD and encouraged planned change processes at the organization level.[35]

Strategic change involves improving the alignment among an organization's environment, strategy, and organization design.[36] Strategic change interventions include efforts to improve both the organization's relationship to its environment and the fit between its technical, political, and cultural systems.[37] The need for strategic change is usually triggered by some major disruption to the organization, such as the lifting of regulatory requirements, a technological breakthrough, or a new chief executive officer coming in from outside the organization.[38]

One of the first applications of strategic change was Richard Beckhard's use of open systems planning.[39] He proposed that an organization's environment and its strategy could be described and analyzed. Based on the organization's core mission, the differences between what the environment demanded and how the organization responded could be reduced and performance improved. Since then, change agents have proposed a variety of large-scale or strategic-change models;[40] each of these models recognizes that strategic change involves multiple levels of the organization and a change in its culture, is often driven from the top by powerful executives, and has important effects on performance. More recently, strategic approaches to OD have been extended into mergers and acquisitions, alliance formation, and network development.[41]

The strategic change background has significantly influenced OD practice. For example, implementing strategic change requires OD practitioners to be familiar with competitive strategy, finance, and marketing, as well as team building, action research, and survey feedback. Together, these skills have improved OD's relevance to organizations and their managers.

EVOLUTION IN ORGANIZATION DEVELOPMENT

Current practice in organization development is strongly influenced by these five backgrounds as well as by the trends shaping change in organizations. The laboratory training, action research and survey feedback, normative, and QWL roots of OD are evident in the strong value focus that underlies its practice. The more recent influence

of the strategic change background has greatly improved the relevance and rigor of OD practice. They have added financial and economic indicators of effectiveness to OD's traditional measures of work satisfaction and personal growth. All of the backgrounds support the transfer of knowledge and skill to the client system and the building of capacity to better manage change in the future.

Today, the field is being influenced by the globalization and information technology trends described earlier. OD is being carried out in many more countries and in many more organizations operating on a worldwide basis. This is generating a whole new set of interventions as well as adaptations to traditional OD practice.[42] In addition, OD must adapt its methods to the technologies being used in organizations. As information technology continues to influence organization environments, strategies, and structures, OD will need to manage change processes in cyberspace as well as face-to-face. The diversity of this evolving discipline has led to tremendous growth in the number of professional OD practitioners, in the kinds of organizations involved with OD, and in the range of countries within which OD is practiced.

The expansion of the OD Network (http://www.odnetwork.org), which began in 1964, is one indication of this growth. It has grown from 200 members in 1970 to 2,800 in 1992 to 4,031 in 1999 and has remained stable with about 4,000 in 2007. At the same time, Division 14 of the American Psychological Association, formerly known as the Division of Industrial Psychology, has changed its title to the Society for Industrial and Organizational Psychology (http://www.siop.org). In 1968, the American Society for Training & Development (http://www.astd.org) set up an OD division, which currently operates as the OD/Leadership Community with more than 2,000 members. In 1971, the Academy of Management established a Division of Organization Development and Change (http://www.aom.pace.edu/odc), which currently has more than 2,600 members. Pepperdine University (http://bschool.pepperdine.edu/programs/msod), Bowling Green State University (http://www.bgsu.edu), and Case Western Reserve University (http://www.cwru.edu) offered the first master's degree programs in OD in 1975, and Case Western Reserve University began the first doctoral program in OD. Organization development now is being taught at the graduate and undergraduate levels in a large number of universities.[43]

In addition to the growth of professional societies and educational programs in OD, the field continues to develop new theorists, researchers, and practitioners who are building on the work of the early pioneers and extending it to contemporary issues and conditions. The first generation of contributors included Chris Argyris, who developed a learning and action-science approach to OD;[44] Warren Bennis, who tied executive leadership to strategic change;[45] Edie Seashore, who keeps interpersonal relationships and diversity in the forefront of practice;[46] Edgar Schein, who developed process approaches to OD, including the key role of organizational culture in change management;[47] Richard Beckhard, who focused attention on the importance of managing transitions;[48] and Robert Tannenbaum, who sensitized OD to the personal dimension of participants' lives.[49]

Among the second generation of contributors are Warner Burke, whose work has done much to make OD a professional field;[50] Larry Greiner, who has brought the ideas of power and evolution into the mainstream of OD;[51] Edward Lawler III, who has extended OD to reward systems and employee involvement;[52] Anthony Raia and Newton Margulies, who together have kept our attention on the values underlying OD and what those mean for contemporary practice;[53] and Peter Vaill, Craig Lundberg, Billie Alban, Barbara Bunker, and David Jamieson, who continue to develop OD as a practical science.[54]

Included among the newest generation of OD contributors are Dave Brown, whose work on action research and developmental organizations has extended OD into community and societal change;[55] Thomas Cummings, whose work on sociotechnical systems, self-designing organizations, and transorganizational development has

led OD beyond the boundaries of single organizations to groups of organizations and their environments;[56] Max Elden, whose international work in industrial democracy draws attention to the political aspects of OD;[57] Richard Woodman, William Pasmore, Rami Shani, and Jerry Porras, who have done much to put OD on a sound research and conceptual base;[58] and Peter Block, who has focused attention on consulting skills, empowerment processes, and reclaiming our individuality.[59] Others making important contributions to the field include Ken Murrell, who has focused attention on the internationalization of OD;[60] Sue Mohrman, who has forged a link between organization design and OD;[61] Chris Worley, who has pushed the integration of OD with strategy and organization design;[62] David Cooperrider and Jim Ludema, who have turned our attention toward the positive aspects of organizations;[63] and Bob Marshak, who alerts us to the importance of symbolic and covert processes during change.[64] These academic contributors are joined by a large number of internal OD practitioners and external consultants who lead organizational change.

Many different organizations have undertaken a wide variety of OD efforts. In many cases, organizations have been at the forefront of innovating new change techniques and methods as well as new organizational forms. Larger corporations that have engaged in organization development include General Electric, Boeing, Texas Instruments, American Airlines, DuPont, Intel, Hewlett-Packard, Microsoft, General Foods, Procter & Gamble, IBM, Raytheon, Wells Fargo Bank, the Hartford Financial Services, and Limited Brands. Traditionally, much of the work was considered confidential and was not publicized. Today, however, organizations increasingly are going public with their OD efforts, sharing the lessons with others.

OD work also is being done in schools, communities, and local, state, and federal governments. Several reviews of OD projects were directed primarily at OD in public administration.[65] Extensive OD work was done in the armed services, including the army, navy, air force, and coast guard, although OD activity and research activities have ebbed and flowed with changes in the size and scope of the military. Public schools began using both group training and survey feedback relatively early in the history of OD.[66] Usually, the projects took place in suburban middle-class schools, where stresses and strains of an urban environment were not prominent and ethnic and socioeconomic differences between consultants and clients were not high. In more recent years, OD methods have been extended to urban schools and to colleges and universities.

Organization development is increasingly international. It has been applied in nearly every country in the world. These efforts have involved such organizations as Saab (Sweden), Imperial Chemical Industries (England), Shell Oil Company, Orrefors (Sweden), Akzo-Nobel (The Netherlands), the Beijing Arbitration Commission and Neusoft Corporation (China), Air New Zealand, and Vitro (Mexico).

Although it is evident that OD has expanded vastly in recent years, relatively few of the total number of organizations in the United States are actively involved in formal OD programs. However, many organizations are applying OD approaches and techniques without knowing that such a term exists.

OVERVIEW OF THE BOOK

This book presents the process and practice of organization development in a logical flow, as shown in Figure 1.2. Part 1 provides an overview of OD that describes the process of planned change and those who perform the work. It consists of two chapters. Chapter 2 discusses the nature of planned change and presents some models describing the change process. Planned change is viewed as an ongoing cycle of four activities: entering and contracting, diagnosing, planning and implementing, and evaluating and institutionalizing. Chapter 3 describes the OD practitioner and provides insight into the knowledge and skills needed to practice OD and the kinds of career issues that can be expected.

[Figure 1.2]

Overview of the Book

Part 1: Overview of Organization Development

The Nature of Planned Change (Chapter 2)

The Organization Development Practitioner (Chapter 3)

Part 2: The Process of Organization Development

Entering and Contracting (Chapter 4)

Diagnosing Organizations (Chapter 5)

Diagnosing Groups and Jobs (Chapter 6)

Collecting and Analyzing Diagnostic Information (Chapter 7)

Feeding Back Diagnostic Information (Chapter 8)

Designing Interventions (Chapter 9)

Leading and Managing Change (Chapter 10)

Evaluating and Institutionalizing OD Interventions (Chapter 11)

Part 3: Human Process Interventions

Interpersonal and Group Process Approaches (Chapter 12)

Organization Process Approaches (Chapter 13)

Part 4: Technostructural Interventions

Restructuring Organizations (Chapter 14)

Employee Involvement (Chapter 15)

Work Design (Chapter 16)

Part 5: Human Resource Management Interventions

Performance Management (Chapter 17)

Developing Talent (Chapter 18)

Managing Workforce Diversity and Wellness (Chapter 19)

Part 6: Strategic Change Interventions

Transformational Change (Chapter 20)

Continuous Change (Chapter 21)

Transorganizational Change (Chapter 22)

Part 7: Special Applications of Organization Development

Organization Development in Global Settings (Chapter 23)

OD in Health Care, School Systems, the Public Sector, and Family-Owned Businesses (Chapter 24)

Future Directions in Organization Development (Chapter 25)

Part 2 is composed of eight chapters that describe the process of organization development. Chapter 4 characterizes the first activity in this process: entering an organizational system and contracting with it for organization development work. Chapters 5, 6, 7, and 8 present the steps associated with the next major activity of the OD process: diagnosing. This involves helping the organization understand its current functioning

and discover areas for improvement. Chapters 5 and 6 present an open-systems model to guide diagnosis at three levels of analysis: the total organization, the group or department, and the individual job or position. Chapters 7 and 8 review methods for collecting, analyzing, and feeding back diagnostic data. Chapters 9 and 10 address issues concerned with the third activity: designing OD interventions and implementing change. Chapter 9 presents an overview of the intervention design process. Major kinds of interventions are identified, and the specific approaches that make up the next four parts of the book are introduced. Chapter 10 discusses the process of leading and managing change. It identifies key factors contributing to the successful implementation of change programs. Chapter 11 describes the final activity of the planned change process: evaluating OD interventions and establishing them as a permanent part of organizational functioning.

Parts 3 through 6 present the major interventions used in OD today. Part 3 (Chapters 12 and 13) is concerned with human process interventions aimed at the social processes occurring within organizations. These are the oldest and most traditional interventions in OD. Chapter 12 describes interpersonal and group process approaches, such as process consultation, third-party interventions, and team building. Chapter 13 presents more systemwide process approaches, such as organizational confrontation meetings, intergroup relations, and large-group interventions.

Part 4 (Chapters 14, 15, and 16) reviews technostructural interventions that are aimed at organization structure and at better integrating people and technology. Chapter 14 is about restructuring organizations; it describes the alternative methods of organizing work activities as well as processes for downsizing and reengineering the organization. Chapter 15 presents interventions for improving employee involvement. These change programs increase employee knowledge, power, information, and rewards through parallel structures, total quality management, and high-involvement organizations. Chapter 16 describes change programs directed at work design, both of individual jobs and of work groups, for greater employee satisfaction and productivity.

Part 5 (Chapters 17, 18, and 19) presents human resource management interventions that are directed at integrating people into the organization. These interventions are associated traditionally with the human resource function in the organization and increasingly have become a part of OD activities. Chapter 17 concerns the process of performance management. This is a cycle of activities that helps groups and individuals to set goals, appraise work, and reward performance. Chapter 18 discusses interventions that build human talent and capital in the organization, including coaching, career planning and development, and management and leadership development. Chapter 19 presents two interventions that address and leverage workforce diversity and improve employee wellness.

Part 6 (Chapters 20, 21, and 22) concerns strategic interventions that focus on organizing the firm's resources to gain a competitive advantage in the environment. These change programs generally are managed from the top of the organization and take considerable time, effort, and resources. Chapter 20 presents three interventions having to do with organization transformation, including integrated strategic change, organization design, and culture change. Chapter 21 describes continuous change interventions, including self-design, learning and knowledge management, and creating built to change organizations. Finally, Chapter 22 describes three transorganizational interventions: merger and acquisition integration processes, alliance formation and management, and network development and change.

Part 7 (Chapters 23, 24, and 25) is concerned with special topics in OD. Chapter 23 describes the practice of OD in international settings. OD in organizations operating outside of the United States requires modification of the interventions to fit the country's cultural context. Organization development in worldwide organizations is aimed

at improving the internal alignment of strategy, structure, and process to achieve global objectives. Furthermore, the practice of OD in global social change organizations promotes sustainable development and improves human potential in emerging countries. Chapter 24 presents broad applications of OD in different kinds of organizations, including educational, government, family-owned, and health care agencies. Finally, Chapter 25 examines the future of organization development, including the trends affecting the field and the prospects for its influence on organization effectiveness.

SUMMARY

This chapter introduced OD as a planned change discipline concerned with applying behavioral science knowledge and practices to help organizations achieve greater effectiveness. Managers and staff specialists must work with and through people to achieve organizational objectives, and OD can help them form effective relationships with others. Organizations are faced with rapidly accelerating change, and OD can help them cope with the consequences of change. The concept of OD has multiple meanings. The definition provided here resolved some of the problems with earlier definitions. The history of OD reveals its five roots: laboratory training, action research and survey feedback, normative approaches, productivity and quality of work life, and strategic change. The current practice of OD goes far beyond its humanistic origins by incorporating concepts from organization strategy and design that complement the early emphasis on social processes. The continued growth in the number and diversity of OD approaches, practitioners, and involved organizations attests to the health of the discipline and offers a favorable prospect for the future.

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part 1

Overview of Organization Development

2

The Nature of Planned Change

The pace of global, economic, and technological development makes change an inevitable feature of organizational life. However, change that happens to an organization can be distinguished from change that is planned by its members. In this book, the term *change* will refer to planned change. Organization development is directed at bringing about planned change to increase an organization's effectiveness and capability to change itself. It is generally initiated and implemented by managers, often with the help of an OD practitioner from either inside or outside of the organization. Organizations can use planned change to solve problems, to learn from experience, to reframe shared perceptions, to adapt to external environmental changes, to improve performance, and to influence future changes.

All approaches to OD rely on some theory about planned change. The theories describe the different stages through which planned change may be effected in organizations and explain the temporal process of applying OD methods to help organization members manage change. In this chapter, we first describe and compare three major theories of organization change that have received considerable attention in the field: Lewin's change model, the action research model, and the positive model. Next, we present a general model of planned change that integrates the earlier models and incorporates recent conceptual advances in OD. The general model has broad applicability to many types of planned change efforts and serves to organize the chapters in this book. We then discuss different types of change and how the process can vary depending on the change situation. Finally, we present several critiques of planned change.

THEORIES OF PLANNED CHANGE

Conceptions of planned change have tended to focus on how change can be implemented in organizations.[1] Called "theories of changing," these frameworks describe the activities that must take place to initiate and carry out successful organizational change. In this section, we describe and compare three theories of changing: Lewin's change model, the action research model, and the positive model. These frameworks have received widespread attention in OD and serve as the primary basis for a general model of planned change.

Lewin's Change Model

One of the earliest models of planned change was provided by Kurt Lewin.[2] He conceived of change as modification of those forces keeping a system's behavior stable. Specifically, a particular set of behaviors at any moment in time is the result of two groups of forces: those striving to maintain the status quo and those pushing for change. When both sets of forces are about equal, current behaviors are maintained in what Lewin termed a state of "quasi-stationary equilibrium." To change that state, one can increase those forces pushing

for change, decrease those forces maintaining the current state, or apply some combination of both. For example, the level of performance of a work group might be stable because group norms maintaining that level are equivalent to the supervisor's pressures for change to higher levels. This level can be increased either by changing the group norms to support higher levels of performance or by increasing supervisor pressures to produce at higher levels. Lewin suggested that decreasing those forces maintaining the status quo produces less tension and resistance than increasing forces for change and consequently is a more effective change strategy.

Lewin viewed this change process as consisting of the following three steps, which are shown in Figure 2.1(A):

1. **Unfreezing.** This step usually involves reducing those forces maintaining the organization's behavior at its present level. Unfreezing is sometimes accomplished through a process of "psychological disconfirmation." By introducing information that shows discrepancies between behaviors desired by organization members and those behaviors currently exhibited, members can be motivated to engage in change activities.[3]
2. **Moving.** This step shifts the behavior of the organization, department, or individual to a new level. It involves intervening in the system to develop new behaviors, values, and attitudes through changes in organizational structures and processes.
3. **Refreezing.** This step stabilizes the organization at a new state of equilibrium. It is frequently accomplished through the use of supporting mechanisms that reinforce the new organizational state, such as organizational culture, rewards, and structures.

Lewin's model provides a general framework for understanding organizational change. Because the three steps of change are relatively broad, considerable effort has gone into elaborating them. For example, the planning model developed by Lippitt, Watson, and Westley arranges Lewin's model into seven steps: scouting, entry, diagnosis (unfreezing), planning, action (moving), stabilization and evaluation, and termination (refreezing).[4] Similarly, Kotter's eightwstage process can be mapped onto Lewin's phases: establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, and communicating the change vision (unfreezing); empowering broad-based action, generating short-term wins (moving); and consolidating gains and producing more change, and anchoring new approaches in the culture (refreezing).[5] Lewin's model remains closely identified with the field of OD, however, and is used to illustrate how other types of change can be implemented. For example, Lewin's three-step model has been used to explain how information technologies can be implemented more effectively.[6]

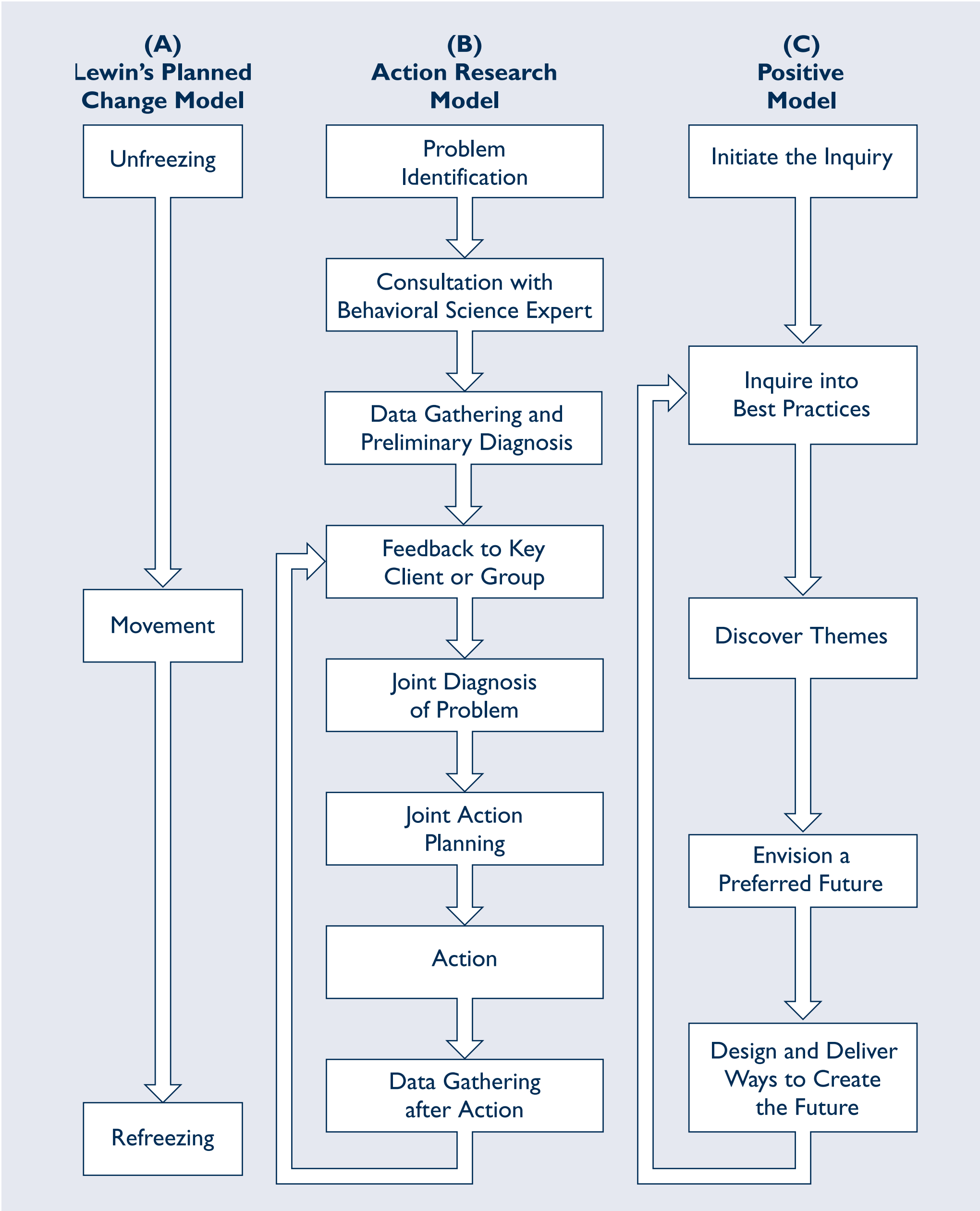
Action Research Model

The classic action research model focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action. Then the results of the action are assessed to provide further information to guide further action, and so on. This iterative cycle of research and action involves considerable collaboration among organization members and OD practitioners. It places heavy emphasis on data gathering and diagnosis prior to action planning and implementation, as well as careful evaluation of results after action is taken.

Action research is traditionally aimed both at helping specific organizations implement planned change and at developing more general knowledge that can be applied to other settings.[7] Although action research was originally developed to have this dual focus on change and knowledge generation, it has been adapted to OD efforts in which the major emphasis is on planned change.[8] Figure 2.1(B) shows the cyclical

[Figure 2.1]

Comparison of Planned Change Models



phases of planned change as defined by the original action research model. There are eight main steps.

1. **Problem Identification.** This stage usually begins when an executive in the organization or someone with power and influence senses that the organization has one or more problems that might be solved with the help of an OD practitioner.
2. **Consultation with a Behavioral Science Expert.** During the initial contact, the OD practitioner and the client carefully assess each other. The practitioner has his or her own normative, developmental theory or frame of reference and must be

conscious of those assumptions and values.[9] Sharing them with the client from the beginning establishes an open and collaborative atmosphere.

3. **Data Gathering and Preliminary Diagnosis.** This step is usually completed by the OD practitioner, often in conjunction with organization members. It involves gathering appropriate information and analyzing it to determine the underlying causes of organizational problems. The four basic methods of gathering data are interviews, process observation, questionnaires, and organizational performance data (unfortunately, often overlooked). One approach to diagnosis begins with observation, proceeds to a semistructured interview, and concludes with a questionnaire to measure precisely the problems identified by the earlier steps.[10] When gathering diagnostic information, OD practitioners may influence members from whom they are collecting data. In OD, any action by the OD practitioner can be viewed as an intervention that will have some effect on the organization.[11]
4. **Feedback to a Key Client or Group.** Because action research is a collaborative activity, the diagnostic data are fed back to the client, usually in a group or work-team meeting. The feedback step, in which members are given the information gathered by the OD practitioner, helps them determine the strengths and weaknesses of the organization or unit under study. The consultant provides the client with all relevant and useful data. Obviously, the practitioner will protect confidential sources of information and, at times, may even withhold data. Defining what is relevant and useful involves consideration of privacy and ethics as well as judgment about whether the group is ready for the information or if the information would make the client overly defensive.
5. **Joint Diagnosis of the Problem.** At this point, members discuss the feedback and explore with the OD practitioner whether they want to work on identified problems. A close interrelationship exists among data gathering, feedback, and diagnosis because the consultant summarizes the basic data from the client members and presents the data to them for validation and further diagnosis. An important point to remember, as Schein suggests, is that the action research process is very different from the doctor–patient model, in which the consultant comes in, makes a diagnosis, and prescribes a solution. Schein notes that the failure to establish a common frame of reference in the client–consultant relationship may lead to a faulty diagnosis or to a communication gap whereby the client is sometimes "unwilling to believe the diagnosis or accept the prescription." He believes that "most companies have drawers full of reports by consultants, each loaded with diagnoses and recommendations which are either not understood or not accepted by the 'patient.'"[12]
6. **Joint Action Planning.** Next, the OD practitioner and the client members jointly agree on further actions to be taken. This is the beginning of the moving process (described in Lewin's change model), as the organization decides how best to reach a different quasi-stationary equilibrium. At this stage, the specific action to be taken depends on the culture, technology, and environment of the organization; the diagnosis of the problem; and the time and expense of the intervention.
7. **Action.** This stage involves the actual change from one organizational state to another. It may include installing new methods and procedures, reorganizing structures and work designs, and reinforcing new behaviors. Such actions typically cannot be implemented immediately but require a transition period as the organization moves from the present to a desired future state.[13]
8. **Data Gathering After Action.** Because action research is a cyclical process, data must also be gathered after the action has been taken to measure and determine the effects of the action and to feed the results back to the organization. This, in turn, may lead to rediagnosis and new action.

The action research model underlies most current approaches to planned change and is often considered synonymous with OD. Recently, it has been refined and extended to new settings and applications, and consequently, researchers and practitioners have made requisite adaptations of its basic framework.[14]

Trends in the application of action research include movement from smaller subunits of organizations to total systems and communities.[15] In these larger contexts, action research is more complex and political than in smaller settings. Therefore, the action research cycle is coordinated across multiple change processes and includes a diversity of stakeholders who have an interest in the organization. (We describe these applications more thoroughly in Chapters 20, 21, and 22.) Action research also is applied increasingly in international settings, particularly in developing nations in the southern hemisphere.[16] Embedded within the action research model, however, are "northern hemisphere" assumptions about change. For example, action research traditionally views change more linearly than do Asian cultures, and it treats the change process more collaboratively than do Latin American and African countries. To achieve success in these settings, action research is tailored to fit cultural assumptions. (See "Different Types of Planned Change" below and Chapter 23.) Finally, action research is applied increasingly to promote social change and innovation, as demonstrated most clearly in community development and global social change projects.[17] These applications are heavily value laden and seek to redress imbalances in power and resource allocations across different groups. Action researchers tend to play an activist role in the change process, which is often chaotic and conflictual. (Chapter 23 reviews global social change processes.)

In light of these general trends, contemporary applications of action research have substantially increased the degree of member involvement in the change process. This contrasts with traditional approaches to planned change, whereby consultants carried out most of the change activities, with the agreement and collaboration of management.[18] Although consultant-dominated change still persists in OD, there is a growing tendency to involve organization members in learning about their organization and how to change it. Referred to as "participatory action research," "action learning," "action science," or "self-design," this approach to planned change emphasizes the need for organization members to learn firsthand about planned change if they are to gain the knowledge and skills needed to change the organization.[19] In today's complex and changing environment, some argue that OD must go beyond solving particular problems to helping members gain the competence needed to change and improve the organization continually.[20]

In this modification of action research, the role of OD consultants is to work with members to facilitate the learning process. Both parties are "co-learners" in diagnosing the organization, designing changes, and implementing and assessing them.[21] Neither party dominates the change process. Rather, each participant brings unique information and expertise to the situation, and they combine their resources to learn how to change the organization. Consultants, for example, know how to design diagnostic instruments and OD interventions, and organization members have "local knowledge" about the organization and how it functions. Each participant learns from the change process. Organization members learn how to change their organization and how to refine and improve it. OD consultants learn how to facilitate complex organizational change and learning.

The action research model will continue to be the dominant methodological basis for planned change in the near future. But the basic philosophy of science on which traditional action research operates is also evolving and is described below.

The Positive Model

The third model of change, the positive model, represents an important departure from Lewin's model and the action research process. Those models are primarily deficit based; they focus on the organization's problems and how they can be solved so it functions

better. The positive model focuses on what the organization is doing right. It helps members understand their organization when it is working at its best and builds off those capabilities to achieve even better results. This positive approach to change is consistent with a growing movement in the social sciences called "positive organizational scholarship," which focuses on positive dynamics in organizations that give rise to extraordinary outcomes.[22] Considerable research on expectation effects also supports this model of planned change.[23] It shows that people tend to act in ways that make their expectations occur. Thus, positive expectations about the organization can create an anticipation that energizes and directs behavior toward making those beliefs happen.

The positive model has been applied to planned change primarily through a process called appreciative inquiry (AI).[24] As a "reformist and rebellious" form of social constructionism, AI explicitly infuses a positive value orientation into analyzing and changing organizations.[25] Social constructionism assumes that organization members' shared experiences and interactions influence how they perceive the organization and behave in it.[26] Because such shared meaning can determine how members approach planned change, AI encourages a positive orientation to how change is conceived and managed. It promotes broad member involvement in creating a shared vision about the organization's positive potential. That shared appreciation provides a powerful and guiding image of what the organization could be.

Drawing heavily on AI, the positive model of planned change involves five phases that are depicted in Figure 2.1(C).

1. **Initiate the Inquiry.** This first phase determines the subject of change. It emphasizes member involvement to identify the organizational issue they have the most energy to address. For example, members can choose to look for successful male–female collaboration (as opposed to sexual discrimination), instances of customer satisfaction (as opposed to customer dissatisfaction), particularly effective work teams, or product development processes that brought new ideas to market especially fast. If the focus of inquiry is real and vital to organization members, the change process itself will take on these positive attributes.
2. **Inquire into Best Practices.** This phase involves gathering information about the "best of what is" in the organization. If the topic is organizational innovation, then members help to develop an interview protocol that collects stories of new ideas that were developed and implemented in the organization. The interviews are conducted by organization members; they interview each other and tell stories of innovation in which they have personally been involved. These stories are pulled together to create a pool of information describing the organization as an innovative system.
3. **Discover the Themes.** In this third phase, members examine the stories, both large and small, to identify a set of themes representing the common dimensions of people's experiences. For example, the stories of innovation may contain themes about how managers gave people the freedom to explore a new idea, the support organization members received from their coworkers, or how the exposure to customers sparked creative thinking. No theme is too small to be represented; it is important that all of the underlying mechanisms that helped to generate and support the themes be described. The themes represent the basis for moving from "what is" to "what could be."
4. **Envision a Preferred Future.** Members then examine the identified themes, challenge the status quo, and describe a compelling future. Based on the organization's successful past, members collectively visualize the organization's future and develop "possibility propositions"—statements that bridge the organization's current best practices with ideal possibilities for future organizing.[27] These propositions should present a truly exciting, provocative, and possible picture of the future.

Based on these possibilities, members identify the relevant stakeholders and critical organization processes that must be aligned to support the emergence of the envisioned future. The vision becomes a statement of "what should be."

5. **Design and Deliver Ways to Create the Future.** The final phase involves the design and delivery of ways to create the future. It describes the activities and creates the plans necessary to bring about the vision. It proceeds to action and assessment phases similar to those of action research described previously. Members make changes, assess the results, make necessary adjustments, and so on as they move the organization toward the vision and sustain "what will be." The process is continued by renewing the conversations about the best of what is.

Comparisons of Change Models

All three models—Lewin's change model, the action research model, and the positive model—describe the phases by which planned change occurs in organizations. As shown in Figure 2.1, the models overlap in that their emphasis on action to implement organizational change is preceded by a preliminary stage (unfreezing, diagnosis, or initiate the inquiry) and is followed by a closing stage (refreezing or evaluation). Moreover, all three approaches emphasize the application of behavioral science knowledge, involve organization members in the change process to varying degrees, and recognize that any interaction between a consultant and an organization constitutes an intervention that may affect the organization. However, Lewin's change model differs from the other two in that it focuses on the general process of planned change, rather than on specific OD activities.

Lewin's model and the action research model differ from the positive approach in terms of the level of involvement of the participants and the focus of change. Lewin's model and traditional action research emphasize the role of the consultant with relatively limited member involvement in the change process. Contemporary applications of action research and the positive model, on the other hand, treat both consultants and participants as co-learners who are heavily involved in planned change. In addition, Lewin's model and action research are more concerned with fixing problems than with focusing on what the organization does well and leveraging those strengths.

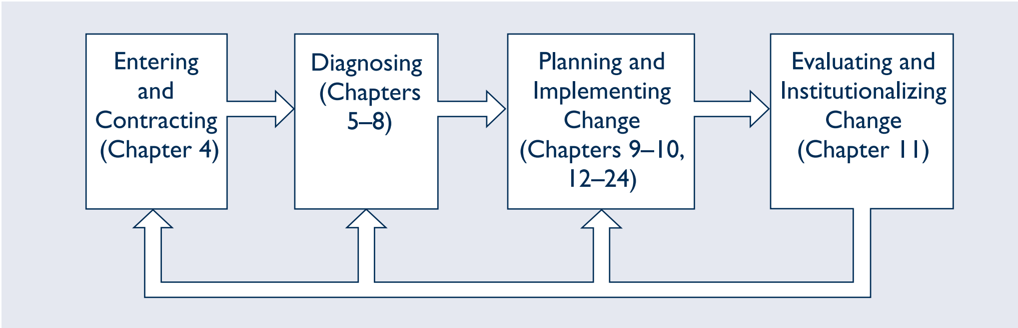
GENERAL MODEL OF PLANNED CHANGE

The three models of planned change suggest a general framework for planned change as shown in Figure 2.2. The framework describes the four basic activities that practitioners and organization members jointly carry out in organization development. The arrows connecting the different activities in the model show the typical sequence of events, from entering and contracting, to diagnosing, to planning and implementing change, to evaluating and institutionalizing change. The lines connecting the activities emphasize that organizational change is not a straightforward, linear process but involves considerable overlap and feedback among the activities. Because the model serves to organize the remaining parts of this book, Figure 2.2 also shows which specific chapters apply to the four major change activities.

Entering and Contracting

The first set of activities in planned change concerns entering and contracting (described in Chapter 4). Those events help managers decide whether they want to engage further in a planned change program and to commit resources to such a process. Entering an organization involves gathering initial data to understand the problems facing the organization or to determine the positive areas for inquiry. Once

[Figure 2.2]
General Model of Planned Change



this information is collected, the problems or opportunities are discussed with managers and other organization members to develop a contract or agreement to engage in planned change. The contract spells out future change activities, the resources that will be committed to the process, and how OD practitioners and organization members will be involved. In many cases, organizations do not get beyond this early stage of planned change because one or more situations arise: Disagreements about the need for change surface, resource constraints are encountered, or other methods for change appear more feasible. When OD is used in nontraditional and international settings, the entering and contracting process must be sensitive to the context in which the change is taking place.

Diagnosing

In this stage of planned change, the client system is carefully studied. Diagnosis can focus on understanding organizational problems, including their causes and consequences, or on collecting stories about the organization's positive attributes. The diagnostic process is one of the most important activities in OD. It includes choosing an appropriate model for understanding the organization and gathering, analyzing, and feeding back information to managers and organization members about the problems or opportunities that exist.

Diagnostic models for analyzing problems (described in Chapters 5 and 6) explore three levels of activities. Organization issues represent the most complex level of analysis and involve the total system. Group-level issues are associated with department and group effectiveness. Individual-level issues involve the way jobs are designed and performed.

Gathering, analyzing, and feeding back data are the central change activities in diagnosis. Chapter 7 describes how data can be gathered through interviews, observations, survey instruments, or such archival sources as meeting minutes and organization charts. It also explains how data can be reviewed and analyzed. In Chapter 8, we describe the process of feeding back diagnostic data. Organization members, often in collaboration with an OD practitioner, jointly discuss the data and their implications for change.

Planning and Implementing Change

In this stage, organization members and practitioners jointly plan and implement OD interventions. They design interventions to achieve the organization's vision or goals and make action plans to implement them. There are several criteria for designing interventions, including the organization's readiness for change, its current change capability, its culture and power distributions, and the change agent's skills and abilities

(discussed in Chapter 9). Depending on the outcomes of diagnosis, there are four major types of interventions in OD:

1. Human process interventions at the individual, group, and total system levels (Chapters 12 and 13)
2. Interventions that modify an organization's structure and technology (Chapters 14, 15, and 16)
3. Human resources interventions that seek to improve member performance and wellness (Chapters 17, 18, and 19)
4. Strategic interventions that involve managing the organization's relationship to its external environment and the internal structure and process necessary to support a business strategy (Chapters 20, 21, and 22).

Chapters 23 and 24 present specialized information for carrying out OD in international settings and in such nontraditional organizations as schools, health care institutions, family-owned businesses, and the public sector.

Implementing interventions is concerned with leading and managing the change process. As discussed in Chapter 10, it includes motivating change, creating a desired future vision of the organization, developing political support, managing the transition toward the vision, and sustaining momentum for change.

Evaluating and Institutionalizing Change

The final stage in planned change involves evaluating the effects of the intervention and managing the institutionalization of successful change programs so they persist. (Those two activities are described in Chapter 11.) Feedback to organization members about the intervention's results provides information about whether the changes should be continued, modified, or suspended. Institutionalizing successful changes involves reinforcing them through feedback, rewards, and training.

Application 2.1 describes the initiation of a planned change process in a government organization. It provides especially rich detail on the planning and implementing phase of change, and on how people can be involved in the process.[28]

DIFFERENT TYPES OF PLANNED CHANGE

The general model of planned change describes how the OD process typically unfolds in organizations. In actual practice, the different phases are not nearly as orderly as the model implies. OD practitioners tend to modify or adjust the stages to fit the needs of the situation. Steps in planned change may be implemented in a variety of ways, depending on the client's needs and goals, the change agent's skills and values, and the organization's context. Thus, planned change can vary enormously from one situation to another.

To understand the differences better, planned change can be contrasted across situations on three key dimensions: the magnitude of organizational change, the degree to which the client system is organized, and whether the setting is domestic or international.

Magnitude of Change

Planned change efforts can be characterized as falling along a continuum ranging from incremental changes that involve fine-tuning the organization to fundamental changes that entail radically altering how it operates.[29] Incremental changes tend to involve limited dimensions and levels of the organization, such as the decision-making processes of work groups. They occur within the context of the organization's existing business strategy, structure, and culture and are aimed at improving the status quo.

application 2.1

Planned Change at the San Diego County Regional Airport Authority

The San Diego County Regional Airport Authority (SDCRAA) was created by a California state law in October 2001; this gave it the responsibility to establish and operate airports within San Diego County. Most importantly, from Thella Bowens's perspective, the law required the San Diego Unified Port District (Port of San Diego) to transfer operation of San Diego's international airport to the SDCRAA by January 2003. Bowens was the current senior director of the Aviation Division within the Port of San Diego that was responsible for operating the San Diego International Airport. When the law was passed, she was named Interim Executive Director of the SDCRAA, and assigned an interim advisory board to help manage the transition.

Bowens's tenure with the organization gave her an important understanding of the organization's operations and its history. For example, the San Diego International Airport accounted for about $4.3 billion or roughly 4% of San Diego's regional economy. Forecasts called for air travel to more than double to 35 million passengers by 2030, and contribute up to $8 billion to the regional economy. In addition, Bowens had participated in the Aviation Division's strategic planning process in 2001. She was well positioned to lead this effort.

As she thought about managing the start-up of the SDCRAA, two broad but interdependent categories of initial activity emerged: developing the transition plan and dealing with the legal and regulatory issues.

DEVELOPING THE TRANSITION PLAN

In April 2002, Bowens took the senior team from the old Aviation Division to an off-site workshop to discuss the creation and management of an effective transition process. This group understood the importance of SDCRAA quickly becoming a stand-alone agency and the need to be seen differently in the marketplace. The group recommended revising the existing strategic plan, to hire staff to research, discuss, and create a transition plan, and to conduct retreats with employees from multiple organizational levels. In response, Bowens chartered the Airport Transition Team to ensure the smooth and seamless transfer of operations and public services provided by the airport without regard to which agency was responsible for their provision.

In May 2002, seven employees were handpicked from the Aviation Division to become members of the Airport Transition Team and relieved of their day-to-day job responsibilities so they could focus on the transition. The selection criteria included the ability to work within a process yet think outside of the box, to communicate well with others in a team, and to influence directors and managers without having formal authority. A one-and-a-half-day kick-off meeting was held to set expectations, to communicate goals and responsibilities, and to initiate the team. A "war room" was established for the team to keep records, hold meetings, and serve as a communication hub. The team named themselves the "Metamorphs."

Many Metamorph members came from different parts of the organization and, having never worked together, needed to rely on each other to effectively design the transition process. Senior team member Angela Shafer-Payne, then director of Airport Business and Administration, worked closely with the Metamorphs and led formal team-building activities throughout the year. Through their work together, the Metamorphs discovered how large and daunting the organizational change was and yet appreciated the unique, once-in-a-lifetime opportunity to make an impact. As one member put it, "How many times in your life can you say that you helped put together a brand-new organization?"

The Metamorphs decided that to meet their charter, any transition plan had to be designed specifically to minimize disruption to customers and service, minimize airport and nonairport financial impacts, and properly address and resolve all legal and regulatory matters. These criteria guided the creation of 12 functional teams (which expanded later to 19). Responsibility for the teams was divided among the transition team members, and each team was composed of employees from the old Aviation Division and other Port of San Diego departments. Their mission was to

collect data, establish new or parallel functions for the SDCRAA, and highlight any issues related to the start-up of that particular function. Once the teams were in place, they were given tools to use and questions that needed to be addressed. Each team set aside time to review all of the records in each functional area. For example, the human resources functional team consisted of Aviation Division employees, HR professionals from the Port of San Diego, and Port attorneys; it was charged with developing the actual transition mechanism, HR operations, and HR organizational structure. Another team focused on the environmental issues involved in the transition. They examined over 100 different environmental permits held by the Port of San Diego to understand if SDCRAA needed a similar permit, needed to be a co-permittee with the Port of San Diego, or if the SDCRAA could stand alone. If it were a stand-alone situation, then documentation would be prepared to transfer the permit.

To ensure that no issues fell through the cracks, three distinct peer reviews were held in the summer and fall of 2002. The peer review panels were staffed by professionals within the aviation industry, people who had experienced a transition of some type within an organization, or those who were integral to the start-up of the organization. The first peer review panel examined the transition plan and offered advice on whether to add any other critical and/or missing components. The second peer review panel, consisting of mostly human resources professionals, examined the proposed organizational structure. The final peer review panel focused on the IT systems portion of the transition plan because of technology's critical role in the overall success of many of the internal processes.

DEALING WITH THE LEGAL AND REGULATORY ISSUES

By January 2002, the SDCRAA was not yet a full agency and had only one employee, Thella Bowens. Despite all the work of the Metamorphs and the functional teams, and sometimes because of it, Bowens also had to interface with the California legislature. The original legislation (California Senate Bill AB93 [2001–2002]) provided a framework for setting up the new agency but left many questions unanswered, including issues relating to property transfer (SDCRAA would lease land from the Port on a 66-year lease) and the transitioning of employees from one public agency to another. To provide clarity and another layer of understanding, "clean-up" legislation (SB 1896) was passed in mid-2002. Together with the original bill, the legislation protected employees to ensure no loss of jobs or benefits. This gave the Metamorphs additional information and guidance to deal with employee contract issues. For example, in the middle of the transition planning process, the Port District had to renegotiate its union contract. The Metamorphs had to work closely with the airport's external counsel, the Port of San Diego counsel, and state senators to ensure a smooth negotiation.

Finally, Bowens and the Metamorphs had to address changes to federal security regulations outlined in the Aviation and Transportation Security Act that resulted from the September 11, 2001, attacks. Those events caused a number of disruptions for many stakeholders in the air transportation industry. They required the transition plan to include a component that focused on keeping costs contained to enable aviation partners, the airlines, the gate gourmets, and tenants, to weather the storm.

IMPLEMENTATION AND EVALUATION

The final transition plan was presented to the interim board and then to the Board of Port Commissioners for approval in October 2002. The approved plan was comprised of several components, including an IT conversion plan and the process for formally transferring responsibility to the SDCRAA, but the key elements were human resources and communication plans.

The human resources plan specified the transition of 145 budgeted Aviation Division employees to 52 vacancies plus the 90 other positions identified by the Metamorphs to make the organization whole. The plan called for all of the positions to be filled by mid-2005. The human resources plan also provided for the purchase of services, like the Harbor Police, from the Port of San Diego until mid-2005.

The communication plan was critical to the implementation phase. The Metamorphs regularly carried information about their progress to coworkers in their respective departments. In addition, communication meetings with the entire organization, called "all hands meetings," were held to provide

information about the transition. The Airport Transition Plan contained a special emphasis on the needs of the employee. Bowens understood the sociotechnical nature of change and did not want the human factor to be forgotten in the midst of all the legal, technical, and other transitions. She included a number of change management education sessions for all employees. The change management education sessions were developed to reassure employees; to encourage genuine, candid, frequent, high-quality communications; and to neutralize anxiety and fears.

During the sessions, employees were (1) updated on the progress of the transition; (2) introduced to change theories, models, and concepts; and (3) encouraged to share their issues, fears, anxieties, concerns, and creative ideas. Employee input was organized into themes, then documented and communicated to Bowens and her direct reports. The leadership team was committed to answering questions and addressing concerns that emerged from the change management sessions. Airport managers met regularly to select and answer questions for publication in the organization newsletter or live communication at "all hands meetings." In addition, the employee satisfaction survey was updated with questions to learn about transition concerns.

Thella Bowens was named President and CEO of the SDCRAA on January 1, 2003. By June 2003, the SDCRAA had received awards based on superb customer service and outstanding levels of performance. The SDCRAA, based on all available metrics, is successfully operating San Diego's international airport and serving over 15.2 million passengers on 620 daily flights in and out of the airport. Part of the success is due to the way the transition plan was developed. Because of the broad participation in its creation, many employees understood the plan. When issues arose, identifying the personnel to become part of an ad hoc problem-solving group already familiar with the topic was easy.

"Ms. Bowens accomplished the extraordinary job of leading a successful transition of the airport from the Unified Port of San Diego to the Authority," said Joseph W. Craver, Authority (SDCRAA) Chairman. "She is highly regarded and respected for both her breadth of knowledge of aviation management issues and her visionary leadership." Thella Bowens added, "Fortunately, we've been supported by very dedicated professional employees who have exhibited great resolve and sheer hard work through the transition process, and continue to do so as we create a 'world-class' organization."

Fundamental changes, on the other hand, are directed at significantly altering how the organization operates. They tend to involve several organizational dimensions, including structure, culture, reward systems, information processes, and work design. They also involve changing multiple levels of the organization, from top-level management through departments and work groups to individual jobs.

Planned change traditionally has been applied in situations involving incremental change. Organizations in the 1960s and 1970s were concerned mainly with fine-tuning their bureaucratic structures by resolving many of the social problems that emerged with increasing size and complexity. In those situations, planned change involves a relatively bounded set of problem-solving activities. OD practitioners are typically contracted by managers to help solve specific problems in particular organizational systems, such as poor communication among members of a work team or low customer satisfaction scores in a department store. Diagnostic and change activities tend to be limited to the defined issues, although additional problems may be uncovered and may need to be addressed. Similarly, the change process tends to focus on those

organizational systems having specific problems, and it generally terminates when the problems are resolved. Of course, the change agent may contract to help solve additional problems.

In recent years, OD has been increasingly concerned with fundamental change. As described in Chapter 1, the greater competitiveness and uncertainty of today's environment have led a growing number of organizations to alter drastically the way in which they operate. In such situations, planned change is more complex, extensive, and long term than when applied to incremental change.[30] Because fundamental change involves most features and levels of the organization, it is typically driven from the top, where corporate strategy and values are set. Change agents help senior executives create a vision of a desired future organization and energize movement in that direction. They also help them develop structures for managing the transition from the present to the future organization and may include, for example, a program management office and a variety of overlapping steering committees and redesign teams. Staff experts also may redesign many features of the firm, such as performance measures, rewards, planning processes, work designs, and information systems.

Because of the complexity and extensiveness of fundamental change, OD professionals often work in teams comprising members with different yet complementary areas of expertise. The consulting relationship persists over relatively long time periods and includes a great deal of renegotiation and experimentation among consultants and managers. The boundaries of the change effort are more uncertain and diffuse than those in incremental change, thus making diagnosis and change seem more like discovery than like problem solving. (We describe complex strategic and transformational types of change in more detail in Chapters 20, 21, and 22.)

It is important to emphasize that fundamental change may or may not be developmental in nature. Organizations may drastically alter their strategic direction and way of operating without significantly developing their capacity to solve problems and to achieve both high performance and quality of work life. For example, firms may simply change their marketing mix, dropping or adding products, services, or customers; they may drastically downsize by cutting out marginal businesses and laying off managers and workers; or they may tighten managerial and financial controls and attempt to squeeze more out of the labor force. On the other hand, organizations may undertake fundamental change from a developmental perspective. They may seek to make themselves more competitive by developing their human resources; by getting managers and employees more involved in problem solving and innovation; and by promoting flexibility and direct, open communication. The OD approach to fundamental change is particularly relevant in today's rapidly changing and competitive environment. To succeed in this setting, firms such as General Electric, Kimberly-Clark, ABB, Hewlett-Packard, and Motorola are transforming themselves from control-oriented bureaucracies to high-involvement organizations capable of changing and improving themselves continually.

Degree of Organization

Planned change efforts also can vary depending on the degree to which the organization or client system is organized. In overorganized situations, such as in highly mechanistic, bureaucratic organizations, various dimensions such as leadership styles, job designs, organization structure, and policies and procedures are too rigid and overly defined for effective task performance. Communication between management and employees is typically suppressed, conflicts are avoided, and employees are apathetic. In underorganized organizations, on the other hand, there is too little constraint or regulation for effective task performance. Leadership, structure, job design, and policy are poorly defined and fail to direct task behaviors effectively. Communication

is fragmented, job responsibilities are ambiguous, and employees' energies are dissipated because they lack direction. Underorganized situations are typically found in such areas as product development, project management, and community development, where relationships among diverse groups and participants must be coordinated around complex, uncertain tasks.

In overorganized situations, where much of OD practice has historically taken place, planned change is generally aimed at loosening constraints on behavior. Changes in leadership, job design, structure, and other features are designed to liberate suppressed energy, to increase the flow of relevant information between employees and managers, and to promote effective conflict resolution. The typical steps of planned change—entry, diagnosis, intervention, and evaluation—are intended to penetrate a relatively closed organization or department and make it increasingly open to self-diagnosis and revitalization. The relationship between the OD practitioner and the management team attempts to model this loosening process. The consultant shares leadership of the change process with management, encourages open communications and confrontation of conflict, and maintains flexibility in relating to the organization.

When applied to organizations facing problems in being underorganized, planned change is aimed at increasing organization by clarifying leadership roles, structuring communication between managers and employees, and specifying job and departmental responsibilities. These activities require a modification of the traditional phases of planned change and include the following four steps:[31]

1. **Identification.** This step identifies the relevant people or groups who need to be involved in the change program. In many underorganized situations, people and departments can be so disconnected that there is ambiguity about who should be included in the problem-solving process. For example, when managers of different departments have only limited interaction with each other, they may disagree or be confused about which departments should be involved in developing a new product or service.
2. **Convention.** In this step, the relevant people or departments in the company are brought together to begin organizing for task performance. For example, department managers might be asked to attend a series of organizing meetings to discuss the division of labor and the coordination required to introduce a new product.
3. **Organization.** Different organizing mechanisms are created to structure the newly required interactions among people and departments. This might include creating new leadership positions, establishing communication channels, and specifying appropriate plans and policies.
4. **Evaluation.** In this final step, the outcomes of the organization step are assessed. The evaluation might signal the need for adjustments in the organizing process or for further identification, convention, and organization activities.

In carrying out these four steps of planned change in underorganized situations, the relationship between the OD practitioner and the client system attempts to reinforce the organizing process. The consultant develops a well-defined leadership role, which might be autocratic during the early stages of the change program. Similarly, the consulting relationship is clearly defined and tightly specified. In effect, the interaction between the consultant and the client system supports the larger process of bringing order to the situation.

Application 2.2 is an example of planned change in an underorganized situation. In this case, the change agent is a person from industry who identifies a multifaceted problem: University research that should be helpful to manufacturing organizations is not being shaped, coordinated, or transferred. In response, he forms an organization to tighten up the relationships between the two parties.[32]

Planned Change in an Underorganized System

The Institute for Manufacturing and Automation Research (IMAR) was founded in 1987 in Los Angeles by a group of manufacturing industry members. In its earliest stages of development, one person who had a clear picture of the obstacles to manufacturing excellence was Dale Hartman, IMAR's executive director and former director for manufacturing at Hughes Aircraft Company. He and several other industry associates pinpointed the predominant reasons for flagging competitiveness: needless duplication of effort among manufacturing innovators; difficulties in transferring technological breakthroughs from university to industry; frequent irrelevance of university research to the needs of industry; and the inability of individual industry members to commit the time and funds to research projects needed for continued technological advances.

Hartman and his colleagues determined that organizations should create a pool of funds for research and concluded that the research would most efficiently be carried out in existing university facilities. They worked through at least several plans before they arrived at the idea of the IMAR consortium. The U.S. Navy had been interested in joint efforts for innovations in artificial intelligence, but its constraints and interests were judged to be too narrow to address the problems that Hartman and the others identified.

Networking with other industry members—TRW, Hughes, Northrop, and Rockwell—and two universities with which Hughes had been engaging in ongoing research—the University of Southern California (USC) and University of California, Los Angeles (UCLA)—this original group formed a steering committee to investigate the viability of a joint research and development consortium. Each of the six early planners contributed $5,000 as seed money for basic expenses. The steering committee, based on experience in cooperative research, determined that a full-time person was needed to assume leadership of the consortium. Members of the committee persuaded Dale Hartman to retire early from Hughes and take on IMAR's leadership full-time. Hartman brought with him a wealth of knowledge about barriers to innovation and technology transfer, and a solid reputation in both industry and academia that was crucial for the success of multiple-sector partnerships. As a former Hughes networker, he knew how to lobby state and federal government sources for funds and legislation that promoted industry innovation. He also knew a host of talented people in southern California whom he would persuade to become IMAR members.

In his 30 years in manufacturing, Hartman found that university-driven research had not produced a respectable yield of usable information. University research was frequently irrelevant to industry needs and seldom provided for transfer of usable innovation to the plant floor. Industry was only tangentially involved in what the university was doing and Hartman saw little opportunity for the two sectors to benefit from a partnership. Therefore, it was determined that IMAR would be user-driven. Industry would set the agenda by choosing projects from among university proposals that promised to be of generic use to industry members, and it would benefit by influencing the direction of research and receiving early information about research results.

In the next several months, the steering committee and Hartman met regularly to define common research needs and locate funding sources. They sought industry sponsors from high-technology companies with an understanding of the problems in manufacturing research and a desire to do more than merely supply money. They wanted members who would be willing to get involved in IMAR's programs. Furthermore, they wanted all members to be able to use the results of IMAR's generic research while not competing directly with each other. Finally, they decided that they wanted a relatively small membership. If the membership grew too large, it might become unwieldy and thus obstruct efforts to get things done.

IMAR's industrial advisory board was formed with six industrial organizations represented—Xerox, Hughes, TRW, Northrup, IBM, and Rockwell—in addition to USC and UCLA. Members were to pay $100,000 each and make a three-year commitment to IMAR. With initial objectives in place and a committed membership, Hartman was already searching for additional funding sources. He was successful in getting a bill introduced in California's state legislature, later signed by the

governor, that authorized the state department of commerce to fund IMAR $200,000. Moreover, IMAR was able to tie into the Industry–University Cooperative Research Center Program (IUCRCP) of the National Science Foundation (NSF) by forming an industry–university consortium called the Center for Manufacturing and Automation Research (CMAR). NSF funded CMAR with a $2 million grant and a five-year commitment. NSF funding in particular was sought because of the instant credibility that NSF sponsorship gives to such an institute.

NSF requested that several more universities be added to the consortium. In addition, an NSF evaluator was to be present at all IMAR meetings and conduct ongoing evaluation of CMAR's progress. IMAR already had UCLA and USC among its members and now added four university affiliates to work on research projects: the University of California, Irvine; University of California, Santa Barbara; Caltech; and Arizona State University. The IMAR steering committee then voted to fund research projects at an affiliated university only if it involved cooperation with either USC or UCLA. Each of the four university affiliates was paired with either USC or UCLA. Each affiliate university was selected because it provided expertise in an area of interest to IMAR's industrial membership. Arizona State, for example, had expertise in knowledge-based simulation systems in industrial engineering, a field of special concern to IMAR's membership. IMAR funded a number of projects, including projects between the affiliated universities, between joint investigators at USC and UCLA, and independent projects at USC and UCLA. Figure 2.3 shows IMAR's structure.

CMAR operated under the auspices of IMAR with the same board of directors serving both consortia. There are two codirectors of CMAR: Dr. George Bekey, chairman of the Computer Science Department at USC, and Dr. Michel Melkanoff, director of UCLA's Center for Integrated Manufacturing. As codirectors they had an indirect reporting relationship to Dale Hartman. Their responsibilities included distributing the research funds and serving as the focal point on their respective campuses. Questions from project team members are directed to one or the other codirector, depending on the project. Each of the codirectors takes responsibility for managing project team members and providing rewards, such as reduced course loads, to research professors wherever possible.

The codirectors further work to encourage informal ties with industry members. For example, Dr. Bekey initiated efforts to have IMAR representatives regularly visit others' facilities to encourage them to cooperate and share ideas. That practice further deepens each industrial member's commitment to IMAR because the representatives were associating with one another and other colleagues in the workplace. In the event that an industry or university representative left, an associate was more likely to be there to take his or her place. Further, Bekey noted that the association between industry and university helped industry to overcome its short-term orientation and helped university people appreciate applied problems and manufacturing needs.

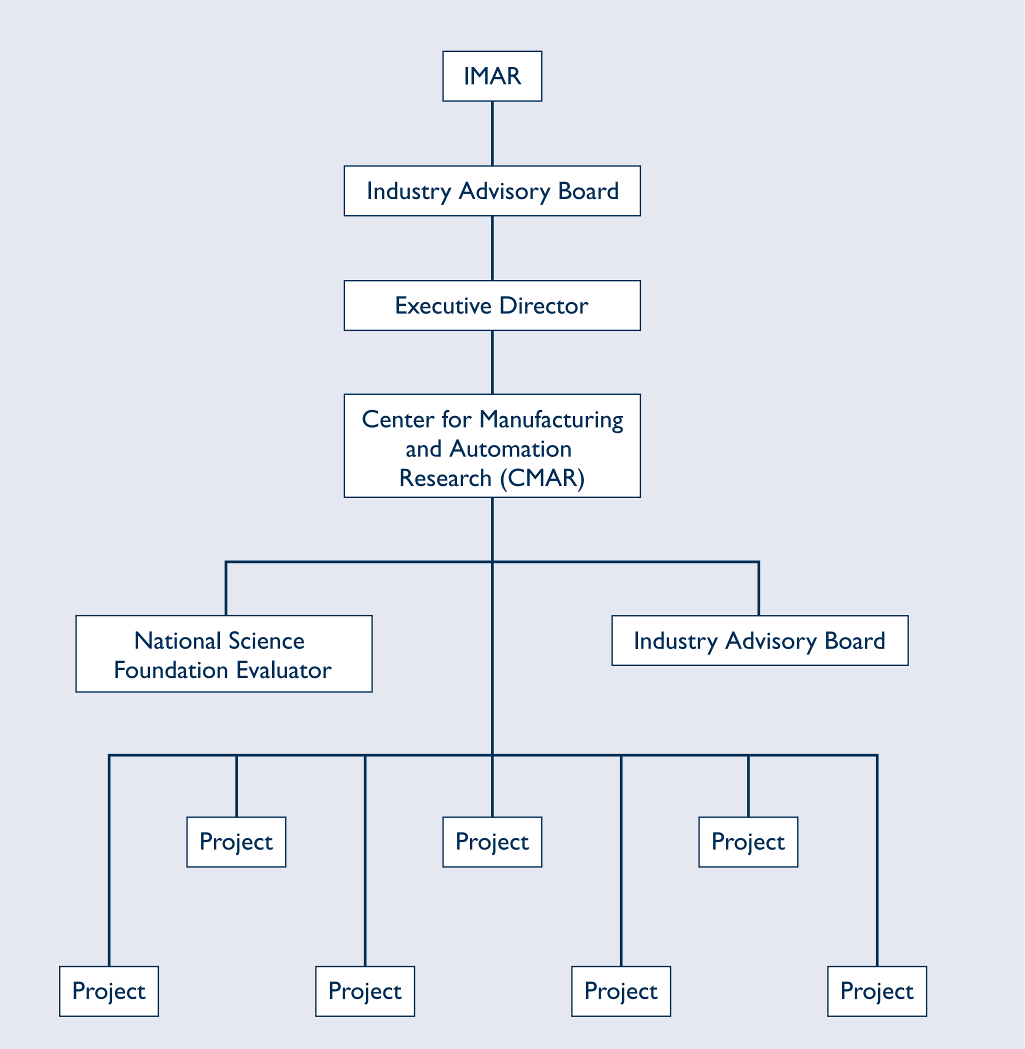
IMAR's board of directors set the research agenda at annual reviews in which it made recommendations for topics to be funded. IMAR took these recommendations and translated them into "requests for proposals" that were circulated among the participating university members. CMAR's codirectors then solicited proposals from the university membership. Researchers' proposals were evaluated and ranked by industry representatives and then passed back to the industry advisory board, which made final determinations on which projects would be funded.

Not only did IMAR engage in research projects, such as microelectronics, digital computers, lasers, and fiber optics, it worked to resolve critical problems for manufacturing innovation research. One area of study was technology transfer. IMAR established a pilot production facility that Hartman called "a halfway house for manufacturing." The facility permitted basic research to be brought to maturity and was capable of producing deliverable parts. The facility also engaged in systems-level research in such areas as management and systems software, and provided an excellent training ground for students.

Another strength of IMAR was its affiliation with an NSF evaluator who was appointed to follow the progress of the industry–university cooperative research center. Dr. Ann Marczak was IMAR's initial NSF evaluator. NSF conducted regular audits of the 39 IUCRCPs it sponsored and made information available about survey results, others' reports of what works, and so

[Figure 2.3]

Organizational Structure of the Institute for Manufacturing and Automation Research (IMAR)



forth. Dr. Marczak served a valuable function to IMAR as an objective source of feedback. After her first evaluation, for example, Marczak recommended that a project team be formed to conduct ongoing progress assessment for each of the research projects IMAR sponsored. The evaluator's findings also served as NSF's means of determining how well each of the funded centers was performing. A center was judged successful if after five years it could exist without NSF funds. NSF also evaluated each center in terms of how much industry money its projects generated, how much additional money the center generated in research projects, the number of patents granted,

products produced, and the satisfaction of faculty and industry participants.

After two years of operation, IMAR had dealt with many of the problems that so frequently plague collaborative research and development efforts among organizations. It had a well-defined purpose that was strongly supported by its members. It was well structured and had a good balance of resources and needs among its membership. Formal and informal communication networks were established. It had strong leadership. Members of IMAR respected Hartman for his technological expertise and skills as a networker. Hartman had a strong sense of IMAR's mission. After a discussion with him, one got the sense that there was not an obstacle he would not overcome. His vision continued to inspire commitment among the IMAR membership. As one member put it, "You end up wanting to see what you can do for the cause."

Not only did IMAR have the commitment of a full-time leader and strong feedback from its NSF evaluator, it involved user-driven research. Although the research was basic, it was chosen by the users themselves to benefit all members of the consortium. If the research had been applied, it would have been more difficult for members to find projects yielding information that all of them could use. The involvement of multiple universities further provided the talent of top researchers in diverse areas of technological expertise. Finally, NSF was furnishing a large proportion of the funding for the first five years as well as regular evaluations.

Domestic vs. International Settings

Planned change efforts have traditionally been applied in North American and European settings, but they are increasingly used outside of these cultures. Developed in Western societies, OD reflects the underlying values and assumptions of these cultural settings, including equality, involvement, and short-term time horizons. Under these conditions, it works quite well. In other societies, a different set of cultural values and assumptions can be operating and make the application of OD problematic. In contrast to Western societies, for example, the cultures of most Asian countries are more hierarchical and status conscious, less open to discussing personal issues, more concerned with "saving face," and have a longer time horizon for results. These cultural differences can make OD more difficult to implement, especially for North American or European practitioners; they may simply be unaware of the cultural norms and values that permeate the society.

The cultural values that guide OD practice in the United States, for example, include a tolerance for ambiguity, equality among people, individuality, and achievement motives. An OD process that encourages openness among individuals, high levels of participation, and actions that promote increased effectiveness is viewed favorably. The OD practitioner is also assumed to hold these values and to model them in the conduct of planned change. Most reported cases of OD involve Western-based organizations using practitioners trained in the traditional model and raised and experienced in Western society.

When OD is applied outside of North America or Europe (and sometimes even within these settings), the action research process must be adapted to fit the cultural context. For example, the diagnostic phase, which is aimed at understanding the current drivers of organization effectiveness, can be modified in a variety of ways. Diagnosis can involve many organization members or include only senior executives;

be directed from the top, conducted by an outside consultant, or performed by internal consultants; or involve face-to-face interviews or organizational documents. Each step in the general model of planned change must be carefully mapped against the cultural context.

Conducting OD in international settings can be highly stressful on OD practitioners. To be successful, they must develop a keen awareness of their own cultural biases, be open to seeing a variety of issues from another perspective, be fluent in the values and assumptions of the host country, and understand the economic and political context of business in the host country. Most OD practitioners are not able to meet all of those criteria and partner with a "cultural guide," often a member of the client organization, to help navigate the cultural, operational, and political nuances of change in that society.

CRITIQUE OF PLANNED CHANGE

Despite their continued refinement, the models and practice of planned change are still in a formative stage of development, and there is considerable room for improvement. Critics of OD have pointed out several problems with the way planned change has been conceptualized and practiced.

Conceptualization of Planned Change

Planned change has typically been characterized as involving a series of activities for carrying out effective organization development. Although current models outline a general set of steps to be followed, considerably more information is needed to guide how those steps should be performed in specific situations. In an extensive review and critique of planned change theory, Porras and Robertson argued that planned change activities should be guided by information about (1) the organizational features that can be changed, (2) the intended outcomes from making those changes, (3) the causal mechanisms by which those outcomes are achieved, and (4) the contingencies upon which successful change depends.[33] In particular, they noted that the key to organizational change is change in the behavior of each member and that the information available about the causal mechanisms that produce individual change is lacking. Overall, Porras and Robertson concluded that the information necessary to guide change is only partially available and that a good deal more research and thinking are needed to fill the gaps. Chapters 12 through 24 on OD interventions review what is currently known about change features, outcomes, causal mechanisms, and contingencies.

A related area where current thinking about planned change is deficient is knowledge about how the stages of planned change differ across situations. Most models specify a general set of steps that are intended to be applicable to most change efforts. However, the previous section of this chapter showed how change activities can vary depending on such factors as the magnitude of change, the degree to which the client system is organized, and whether the change is being conducted in a domestic or an international setting. Considerably more effort needs to be expended identifying situational factors that may require modifying the general stages of planned change. That would likely lead to a rich array of planned change models, each geared to a specific set of situational conditions. Such contingency thinking is greatly needed in planned change.

Planned change also tends to be described as a rationally controlled, orderly process. Critics have argued that although this view may be comforting, it is seriously misleading.[34] They point out that planned change has a more chaotic quality, often involving shifting goals, discontinuous activities, surprising events, and unexpected combinations of changes. For example, executives often initiate changes without plans that clarify their strategies and goals. As change unfolds, new stakeholders may emerge

and demand modifications reflecting previously unknown or unvoiced needs. Those emergent conditions make planned change a far more disorderly and dynamic process than is customarily portrayed, and conceptions need to capture that reality.

Most descriptions of planned change typically describe a beginning, middle, and end to the process. Critics have argued that planned change models that advocate evaluation and institutionalization processes reinforce the belief that the organization will "refreeze" into some form of equilibrium following change.[35] In the face of increasing globalization and technological change, it is unlikely that change will ever "be over." Executives, managers, and organization members must be prepared for constant change in a variety of organizational features that are not obvious in most models of planned change.

Finally, the relationship between planned change and organizational performance and effectiveness is not well understood. OD traditionally has had problems assessing whether interventions are producing observed results. The complexity of the change situation, the lack of sophisticated analyses, and the long time periods for producing results have contributed to weak evaluation of OD efforts. Moreover, managers have often accounted for OD efforts with post hoc testimonials, reports of possible future benefits, and calls to support OD as the right thing to do. In the absence of rigorous assessment and measurement, it is difficult to make resource allocation decisions about change programs and to know which interventions are most effective in certain situations.

Practice of Planned Change

Critics have suggested several problems with the way planned change is carried out.[36] Their concerns are not with the planned change model itself but with how change takes place and with the qualifications and activities of OD practitioners.

A growing number of OD practitioners have acquired skills in a specific technique, such as team building, total quality management, AI, large-group interventions, or gain sharing, and have chosen to specialize in that method. Although such specialization may be necessary, it can lead to a certain myopia given the complex array of techniques that define OD. Some OD practitioners favor particular techniques and ignore other strategies that might be more appropriate, tending to interpret organizational problems as requiring the favored technique. Thus, for example, it is not unusual to see consultants pushing such methods as diversity training, reengineering, organization learning, or self-managing work teams as solutions to most organizational problems.

Effective change depends on a careful diagnosis of how the organization is functioning. Diagnosis identifies the underlying causes of organizational problems, such as poor product quality and employee dissatisfaction, or determines the positive opportunities that need to be promoted. It requires both time and money, and some organizations are not willing to make the necessary investment. Rather, they rely on preconceptions about what the problem is and hire consultants with skills appropriate to solve that problem. Managers may think, for example, that work design is the problem, so they hire an expert in job enrichment to implement a change program. The problem may be caused by other factors such as poor reward practices, however, and job enrichment would be inappropriate. Careful diagnosis can help to avoid such mistakes.

In situations requiring complex organizational changes, planned change is a long-term process involving considerable innovation and learning on-site. It requires a good deal of time and commitment and a willingness to modify and refine changes as the circumstances require. Some organizations demand more rapid solutions to their problems and seek quick fixes from experts. Unfortunately, some OD consultants are more than willing to provide quick solutions.[37] They sell prepackaged programs for organizations to adopt. Those programs appeal to managers because they typically

include an explicit recipe to be followed, standard training materials, and clear time and cost boundaries. The quick fixes have trouble gaining wide organizational support and commitment, however, and seldom produce the positive results that have been advertised.

Other organizations have not recognized the systemic nature of change. Too often, they believe that intervention into one aspect or subpart of the organization will be sufficient to ameliorate the problems, and they are unprepared for the other changes that may be necessary to support a particular intervention. For example, at Verizon, the positive benefits of an employee involvement program did not begin to appear until after the organization redesigned its reward system to support the cross-functional collaboration necessary to solve highly complex problems. Changing any one part or feature of an organization often requires adjustments in the other parts to maintain an appropriate alignment. Thus, although quick fixes and change programs that focus on only one part or aspect of the organization may resolve some specific problems, they generally do not lead to complex organizational change or increase members' capacity to carry out change.[38]

SUMMARY

Theories of planned change describe the activities necessary to modify strategies, structures, and processes to increase an organization's effectiveness. Lewin's change model, the action research model, and the positive model offer different views of the phases through which planned change occurs in organizations. Lewin's change model views planned change as a three-step process of unfreezing, moving, and refreezing. It provides a general description of the process of planned change. The action research model focuses on planned change as a cyclical process involving joint activities between organization members and OD practitioners. It involves multiple steps that overlap and interact in practice: problem identification, consultation with a behavioral science expert, data gathering and preliminary diagnosis, feedback to a key client or group, joint diagnosis of the problem, joint action planning, action, and data gathering after action. The action research model places heavy emphasis on data gathering and diagnosis prior to action planning and implementation, and on assessment of results after action is taken. In addition, change strategies often are modified on the basis of continued diagnosis, and termination of one OD program may lead to further work in other areas of the firm. The positive model is oriented to what the organization is doing right. It seeks to build on positive opportunities that can lead to extraordinary performance.

Planned change theories can be integrated into a general model. Four sets of activities—entering and contracting, diagnosing, planning and implementing, and evaluating and institutionalizing—can be used to describe how change is accomplished in organizations. These four sets of activities also describe the general structure of the chapters in this book. The general model has broad applicability to planned change. It identifies the steps an organization typically moves through to implement change and specifies the OD activities needed to effect change. Although the planned change models describe general stages of how the OD process unfolds, there are different types of change depending on the situation. Planned change efforts can vary in terms of the magnitude of the change, the degree to which the client system is organized, and whether the setting is domestic or international. When situations differ on those dimensions, planned change can vary greatly. Critics of OD have pointed out several problems with the way planned change has been conceptualized and practiced, and specific areas where planned change can be improved.

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3

The Organization Development Practitioner

Chapters 1 and 2 provided an overview of the field of organization development and a description of the nature of planned change. This chapter extends that introduction by examining the people who perform OD. A closer look at OD practitioners can provide a more personal perspective on the field and can help us understand how and why OD relies so heavily on personal relationships between practitioners and organization members.

Much of the literature about OD practitioners views them as internal or external consultants providing professional services—diagnosing systems, developing interventions, and helping to implement them. More recent perspectives expand the practice scope to include professionals in related disciplines, such as industrial psychology and strategic management, as well as line managers who have learned how to carry out OD to change and develop their organizations.

A great deal of opinion and some research studies have focused on the necessary skills and knowledge of an effective OD practitioner. Studies of the profession provide a comprehensive list of basic skills and knowledge that all effective OD practitioners must possess.

Most of the relevant literature focuses on people specializing in OD as a profession and addresses their roles and careers. The OD practitioner's role can be described in relation to its position: internal to the organization, external to it, or in a team comprising both internal and external consultants. The OD practitioner's role can also be examined in terms of its marginality in organizations, of the emotional demands made on the practitioner, and of where it fits along a continuum from client-centered to consultant-centered functioning. Finally, organization development is an emerging profession providing alternative opportunities for gaining competence and developing a career. The stressful nature of helping professions, however, suggests that OD practitioners must cope with the possibility of professional burnout.

As in other helping professions, such as medicine and law, values and ethics play an important role in guiding OD practice and in minimizing the chances that clients will be neglected or abused.

WHO IS THE ORGANIZATION DEVELOPMENT PRACTITIONER?

Throughout this text, the term *organization development practitioner* refers to at least three sets of people. The most obvious group of OD practitioners are those people specializing in OD as a profession. They may be internal or external consultants who offer professional services to organizations, including their top managers, functional department heads, and staff groups. OD professionals traditionally have shared a common set of humanistic values promoting open communications, employee involvement, and personal growth and development. They tend to have common training, skills, and experience in the social processes of organizations (for example, group dynamics, decision making, and

communications). In recent years, OD professionals have expanded those traditional values and skill sets to include more concern for organizational effectiveness, competitiveness, and bottom-line results, and greater attention to the technical, structural, and strategic parts of organizations. That expansion, mainly in response to the highly competitive demands facing modern organizations, has resulted in a more diverse set of OD professionals geared to helping organizations cope with those pressures.[1]

The second set of people to whom the term OD practitioner applies are those specializing in fields related to OD, such as reward systems, organization design, total quality, information technology, and business strategy. These content-oriented fields increasingly are becoming integrated with OD's process orientation, particularly as OD projects have become more comprehensive, involving multiple features and varying parts of organizations. The integrated strategic change intervention described in Chapter 20, for example, is the result of marrying OD with business strategy.[2] A growing number of professionals in these related fields are gaining experience and competence in OD, mainly through working with OD professionals on large-scale projects and through attending OD training sessions. For example, most of the large accounting firms diversified into management consulting and change management.[3] In most cases, professionals in these related fields do not subscribe fully to traditional OD values, nor do they have extensive OD training and experience. Rather, they have formal training and experience in their respective specialties, such as industrial engineering, information systems, or health care. They are OD practitioners in the sense that they apply their special competence within an OD-like process, typically by engaging OD professionals and managers to design and implement change programs. They also practice OD when they apply their OD competence to their own specialties, thus spreading an OD perspective into such areas as compensation practices, work design, labor relations, and planning and strategy.

The third set of people to whom the term applies are the increasing number of managers and administrators who have gained competence in OD and who apply it to their own work areas. Studies and recent articles argue that OD increasingly is applied by managers rather than by OD professionals.[4] Such studies suggest that the faster pace of change affecting organizations today is highlighting the centrality of the manager in managing change. Consequently, OD must become a general management skill. Along those lines, Kanter studied a growing number of firms, such as General Electric, Hewlett-Packard, and 3M, where managers and employees have become "change masters."[5] They have gained the expertise to introduce change and innovation into the organization.

Managers tend to gain competence in OD through interacting with OD professionals in actual change programs. This on-the-job training frequently is supplemented with more formal OD training, such as the various workshops offered by the National Training Laboratories (NTL), USC's Center for Effective Organizations, the Center for Creative Leadership, the Gestalt Institute, UCLA's Extension Service, and others. Line managers increasingly are attending such external programs. Moreover, a growing number of organizations, including Capital One, Disney, and General Electric, have instituted in-house training programs for managers to learn how to develop and change their work units. As managers gain OD competence, they become its most basic practitioners.

In practice, the distinctions among the three sets of OD practitioners are blurring. A growing number of managers have transferred, either temporarily or permanently, into the OD profession. For example, companies such as Procter & Gamble have trained and rotated managers into full-time OD roles so that they can gain skills and experience needed for higher-level management positions. Also, it is increasingly common to find managers using their experience in OD to become external consultants. More OD practitioners are gaining professional competence in related specialties, such as business process reengineering, reward systems, and organization design. Conversely, many specialists in those related areas are achieving professional competence in OD. Cross-training and integration are producing a more comprehensive and complex kind

of OD practitioner—one with a greater diversity of values, skills, and experience than a traditional practitioner.

COMPETENCIES OF AN EFFECTIVE ORGANIZATION DEVELOPMENT PRACTITIONER

The literature about OD competencies reveals a mixture of personality traits, experiences, knowledge, and skills presumed to lead to effective practice. For example, research on the characteristics of successful change practitioners yields the following list of attributes and abilities: diagnostic ability, basic knowledge of behavioral science techniques, empathy, knowledge of the theories and methods within the consultant's own discipline, goal-setting ability, problem-solving ability, ability to perform self-assessment, ability to see things objectively, imagination, flexibility, honesty, consistency, and trust.[6] Although these qualities and skills are laudable, there has been relatively little consensus about their importance to effective OD practice.

Two projects currently seek to define, categorize, and prioritize the skills and knowledge required of OD practitioners. In the first effort, a broad and growing list of well-known practitioners and researchers are asked to review and update a list of professional competencies. The most recent list has grown to 187 statements in nine areas of OD practice, including entry, start-up, assessment and feedback, action planning, intervention, evaluation, adoption, separation, and general competencies.[7] The statements range from "staying centered in the present, focusing on the ongoing process" and "understanding and explaining how diversity will affect the diagnosis of the culture" to "basing change on business strategy and business needs" and "being comfortable with quantum leaps, radical shifts, and paradigm changes." Recent items added to the list relate to international OD, large-group interventions, and transorganization skills.

To understand the relative importance of this long list, Worley and his colleagues collected data from 364 OD practitioners.[8] The average respondent had six–ten years of OD experience, a master's degree, and came from the United States. The results suggested an underlying structure to the list. Twenty-three competencies were generated that reflected both the skills and knowledge necessary to conduct planned change processes and the individual characteristics necessary to be an effective OD practitioner. Similar to other lists, the competencies included the ability to evaluate change, work with large-scale change efforts, create implementation plans, and manage diversity. One of the more surprising results, however, was the emergence of "self mastery" as the most important competence. The results supported the long-held belief that good OD practitioners know themselves and that such knowledge forms the basis of effective practice.

The second project, sponsored by the Organization Development and Change Division of the Academy of Management,[9] seeks to develop a list of competencies to guide curriculum development in graduate OD programs. More than 40 OD practitioners and researchers worked to develop the two competency lists shown in Table 3.1. First, foundation competencies are oriented toward descriptions of an existing system. They include knowledge from organization behavior, psychology, group dynamics, management and organization theory, research methods, and business practices. Second, core competencies are aimed at how systems change over time. They include knowledge of organization design, organization research, system dynamics, OD history, and theories and models for change; they also involve the skills needed to manage the consulting process, to analyze and diagnose systems, to design and choose interventions, to facilitate processes, to develop clients' capability to manage their own change, and to evaluate organization change.

The information in Table 3.1 applies primarily to people specializing in OD as a profession. For them, possessing the listed knowledge and skills seems reasonable, especially in light of the growing diversity and complexity of interventions in OD. Gaining

[Table 3.1]

Knowledge and Skill Requirements of OD Practitioners

	FOUNDATION COMPETENCIES	CORE COMPETENCIES
Knowledge	1. Organization behavior A. Organization culture B. Work design C. Interpersonal relations D. Power and politics E. Leadership F. Goal setting G. Conflict H. Ethics 2. Individual psychology A. Learning theory B. Motivation theory C. Perception theory 3. Group dynamics A. Roles B. Communication processes C. Decision-making process D. Stages of group development E. Leadership 4. Management and organization theory A. Planning, organizing, leading, and controlling B. Problem solving and decision making C. Systems theory D. Contingency theory E. Organization structure F. Characteristics of environment and technology G. Models of organization and system 5. Research methods/statistics A. Measures of central tendency B. Measures of dispersion C. Basic sampling theory D. Basic experimental design E. Sample inferential statistics	1. Organization design: the decision process associated with formulating and aligning the elements of an organizational system, including but not limited to structural systems, human resource systems, information systems, reward systems, work design, political systems, and organization culture A. The concept of fit and alignment B. Diagnostic and design model for various sub-systems that make up an organization at any level of analysis, including the structure of work, human resources, information systems, reward systems, work design, political systems, and so on C. Key thought leaders in organization design 2. Organization research: field research methods; interviewing; content analysis; design of questionnaires and interview protocol; designing change evaluation processes; longitudinal data collection and analysis; understanding and detecting alpha, beta, and gamma change; and a host of quantitative and qualitative methods 3. System dynamics: the description and understanding of how systems evolve and develop over time, how systems respond to exogenous and endogenous disruption as well as planned interventions (e.g., evolution and revolution, punctuated equilibrium theory, chaos theory, catastrophe theory, incremental vs. quantum change, transformation theory, and so on)

continued

[Table 3.1]

Knowledge and Skill Requirements of OD Practitioners, (*continued*)

	FOUNDATION COMPETENCIES	CORE COMPETENCIES
	6. Comparative cultural perspectives A. Dimensions of natural culture B. Dimensions of industry culture C. Systems implications 7. Functional knowledge of business A. Interpersonal communication (listening, feedback, and articulation) B. Collaboration/working together C. Problem solving D. Using new technology E. Conceptualizing F. Project management G. Present/education/coach	4. History of organization development and change: an understanding of the social, political, economic, and personal forces that led to the emergence and development of organization development and change, including the key thought leaders, the values underlying their writings and actions, the key events and writings, and related documentation A. Human relations movement B. NTL/T-groups/sensitivity training C. Survey research D. Quality of work life E. Tavistock Institute F. Key thought leaders G. Humanistic values H. Statement of ethics 5. Theories and models for change: the basic action research model, participatory action research model, planning model, change typologies (e.g., fast, slow, incremental, quantum, revolutionary), Lewin's model, transition models, and so on
Skills		1. Managing the consulting process: the ability to enter, contract, diagnose, design appropriate interventions, implement those interventions, manage unprogrammed events, and evaluate change process 2. Analysis/diagnosis: the abilities to conduct an inquiry into a system's effectiveness, to see the root cause(s) of a system's current level of effectiveness; the core skill is interpreted to include all systems—individual, group, organization, and multiorganization—as well as the ability to understand and inquire into one's self

[Table 3.1]

Knowledge and Skill Requirements of OD Practitioners

FOUNDATION COMPETENCIES	CORE COMPETENCIES
	3. Designing/choosing appropriate, relevant interventions: understanding how to select, modify, or design effective interventions that will move the organization from its current state to its desired future state
	4. Facilitation and process consultation: the ability to assist an individual or group toward a goal; the ability to conduct an inquiry into individual and group processes such that the client system maintains ownership of the issue, increases its capacity for reflection on the consequences of its behaviors and actions, and develops a sense of increased control and ability
	5. Developing client capability: the ability to conduct a change process in such a way that the client is better able to plan and implement a successful change process in the future, using technologies of planned change in a values-based and ethical manner
	6. Evaluating organization change: the ability to design and implement a process to evaluate the impact and effects of change intervention, including control of alternative explanations and interpretation of performance outcomes

competence in those areas may take considerable time and effort, and it is questionable whether the other two types of OD practitioners—managers and specialists in related fields—also need that full range of skills and knowledge. It seems more reasonable to suggest that some subset of the items listed in Table 3.1 should apply to all OD practitioners, whether they are OD professionals, managers, or related specialists. Those items would constitute the practitioner's basic skills and knowledge. Beyond that background, the three types of OD practitioners likely would differ in areas of concentration. OD professionals would extend their breadth of skills across the remaining categories in Table 3.1; managers would focus on the functional knowledge of business areas; and related specialists would concentrate on skills in their respective areas.

Based on the data in Table 3.1 and the other studies available, all OD practitioners should have the following basic skills and knowledge to be effective.

Intrapersonal Skills or "Self-Management" Competence. Despite the growing knowledge base and sophistication of the field, organization development is still a human craft. As the primary instrument of diagnosis and change, practitioners often must process complex, ambiguous information and make informed judgments about its relevance to organizational issues.

The core competency of analysis and diagnosis listed in Table 3.1 includes the ability to inquire into one's self, and as noted above, it remains one of the cornerstone skills in OD.[10] Practitioners must have the personal centering to know their own values, feelings, and purposes as well as the integrity to behave responsibly in a helping relationship with others. Bob Tannenbaum, one of the founders of OD, argued that self-knowledge is the most central ingredient in OD practice and suggested that practitioners are becoming too enamored with skills and techniques.[11] There are data to support his view. A study of 416 OD practitioners found that 47% agreed with the statement, "Many of the new entrants into the field have little understanding of or appreciation for the history or values underlying the field."[12] Because OD is a highly uncertain process requiring constant adjustment and innovation, practitioners must have active learning skills and a reasonable balance between their rational and emotional sides. Finally, OD practice can be highly stressful and can lead to early burnout, so practitioners need to know how to manage their own stress.

Interpersonal Skills. Practitioners must create and maintain effective relationships with individuals and groups within the organization and help them gain the competence necessary to solve their own problems. Table 3.1 identifies group dynamics, comparative cultural perspectives, and business functions as foundation knowledge, and managing the consulting process and facilitation as core skills. All of these interpersonal competencies promote effective helping relationships. Such relationships start with a grasp of the organization's perspective and require listening to members' perceptions and feelings to understand how they see themselves and the organization. This understanding provides a starting point for joint diagnosis and problem solving. Practitioners must establish trust and rapport with organization members so that they can share pertinent information and work effectively together. This requires being able to converse in members' own language and to give and receive feedback about how the relationship is progressing.

To help members learn new skills and behaviors, practitioners must serve as role models of what is expected. They must act in ways that are credible to organization members and provide them with the counseling and coaching necessary to develop and change. Because the helping relationship is jointly determined, practitioners need to be able to negotiate an acceptable role and to manage changing expectations and demands.

General Consultation Skills. Table 3.1 identifies the ability to manage the consulting process and the ability to design interventions as core competencies that all OD practitioners should possess. OD starts with diagnosing an organization or department to understand its current functioning and to discover areas for further development. OD practitioners need to know how to carry out an effective diagnosis, at least at a rudimentary level. They should know how to engage organization members in diagnosis, how to help them ask the right questions, and how to collect and analyze information. A manager, for example, should be able to work with subordinates to determine jointly the organization's or department's strengths or problems. The manager should know basic diagnostic questions (see Chapters 5 and 6), some methods for gathering information, such as interviews or surveys, and some techniques for analyzing it, such as force-field analysis or statistical means and distributions (see Chapters 7 and 8).

In addition to diagnosis, OD practitioners should know how to design and execute an intervention. They need to be able to define an action plan and to gain

commitment to the program. They also need to know how to tailor the intervention to the situation, using information about how the change is progressing to guide implementation (see Chapter 11). For example, managers should be able to develop action steps for an intervention with subordinates. They should be able to gain their commitment to the program (usually through participation), sit down with them and assess how it is progressing, and make modifications if necessary.

Organization Development Theory. The last basic tool OD practitioners should have is a general knowledge of organization development, such as is presented in this book. They should have some appreciation for planned change, the action research model, and the positive approaches to managing change. They should be familiar with the range of available interventions and the need for evaluating change programs. Perhaps most important is that OD practitioners should understand their own role in the emerging field of organization development, whether it is as an OD professional, a manager, or a specialist in a related area.

THE PROFESSIONAL ORGANIZATION DEVELOPMENT PRACTITIONER

Most of the literature about OD practitioners has focused on people specializing in OD as a profession. In this section, we discuss the role and typical career paths of OD professionals.

Role of Organization Development Professionals

Position Organization development professionals have positions that are either internal or external to the organization. Internal consultants are members of the organization and may be located in the human resources department or report directly to a line manager. They may perform the OD role exclusively, or they may combine it with other tasks, such as compensation practices, training, or employee relations.[13] Many large organizations, such as Boeing, Raytheon, Disney, Microsoft, Philip Morris, Procter & Gamble, Weyerhaeuser, Kimberly Clark, and Citigroup, have created specialized OD consulting groups. These internal consultants typically have a variety of clients within the organization, serving both line and staff departments.

External consultants are not members of the client organization; they typically work for a consulting firm, a university, or themselves. Organizations generally hire external consultants to provide a particular expertise that is unavailable internally, to bring a different and potentially more objective perspective into the organization development process, or to signal shifts in power.[14] Table 3.2 describes the differences between these two roles at each stage of the action research process.[15]

During the entry process, internal consultants have clear advantages. They have ready access to and relationships with clients, know the language of the organization, and have insights about the root cause of many of its problems. This allows internal consultants to save time in identifying the organization's culture, informal practices, and sources of power. They have access to a variety of information, including rumors, company reports, and direct observations. In addition, entry is more efficient and congenial, and their pay is not at risk. External consultants, however, have the advantage of being able to select the clients they want to work with according to their own criteria. The contracting phase is less formal for internal consultants and there is less worry about expenses, but there is less choice about whether to complete the assignment. Both types of consultants must address issues of confidentiality, risk project termination (and other negative consequences) by the client, and fill a third-party role.

During the diagnosis process, internal consultants already know most organization members and enjoy a basic level of rapport and trust. But external consultants often have higher status than internal consultants, which allows them to probe difficult

[Table 3.2]
The Differences Between External and Internal Consulting

STAGE OF CHANGE	EXTERNAL CONSULTANTS	INTERNAL CONSULTANTS
Entering	• Source clients • Build relationships • Learn company jargon • "Presenting problem" challenge • Time consuming • Stressful phase • Select project/client according to own criteria • Unpredictable outcome	• Ready access to clients • Ready relationships • Knows company jargon • Understands root causes • Time efficient • Congenial phase • Obligated to work with everyone • Steady pay
Contracting	• Formal documents • Can terminate project at will • Guard against out-of-pocket expenses • Information confidental • Loss of contract at stake • Maintain third-party role	• Informal agreements • Must complete projects assigned • No out-of-pocket expenses • Information can be open or confidential • Risk of client retaliation and loss of job at stake • Acts as third party, driver (on behalf of client), or pair of hands
Diagnosing	• Meet most organization members for the first time • Prestige from being external • Build trust quickly • Confidential data can increase political sensitivities	• Has relationships with many organization members • Prestige determined by job rank and client stature • Sustain reputation as trustworthy over time • Data openly shared can reduce political intrigue
Intervening	• Insist on valid information, free and informed choice, and internal commitment • Confine activities within boundaries of client organization	• Insist on valid information, free and informed choice, and internal commitment • Run interference for client across organizational lines to align support
Evaluating	• Rely on repeat business and customer referral as key measures of project success • Seldom see long-term results	• Rely on repeat business, pay raise, and promotion as key measures of success • Can see change become institutionalized • Little recognition for job well done

SOURCE: M. Lacey, "Internal Consulting: Perspectives on the Process of Planned Change," *Journal of Organizational Change Management* 8 (1995): 76,

issues and assess the organization more objectively. In the intervention phase, both types of consultants must rely on valid information, free and informed choice, and internal commitment for their success.[16] However, an internal consultant's strong ties to the organization may make him or her overly cautious, particularly when powerful others can affect a career. Internal consultants also may lack certain skills and experience in facilitating organizational change. Insiders may have some small advantages in

being able to move around the system and cross key organizational boundaries. Finally, the measures of success and reward differ from those of the external practitioner in the evaluation process.

A promising approach to having the advantages of both internal and external OD consultants is to include them both as members of an internal–external consulting team.[17] External consultants can combine their special expertise and objectivity with the inside knowledge and acceptance of internal consultants. The two parties can use complementary consulting skills while sharing the workload and possibly accomplishing more than either would by operating alone. Internal consultants, for example, can provide almost continuous contact with the client, and their external counterparts can provide specialized services periodically, such as two or three days each month. External consultants also can help train their organization partners, thus transferring OD skills and knowledge to the organization.

Although little has been written on internal–external consulting teams, studies suggest that the effectiveness of such teams depends on members developing strong, supportive, collegial relationships. They need to take time to develop the consulting team, confronting individual differences and establishing appropriate roles and relationships. Members need to provide each other with continuous feedback and also make a commitment to learn from each other. In the absence of these team-building and learning activities, internal–external consulting teams can be more troublesome and less effective than either internal or external consultants working alone.

Application 3.1 provides a personal, first-person account of the internal and external consulting positions as well as interactions between them.[18]

Marginality A promising line of research on the professional OD role centers on the issue of marginality.[19] The marginal person is one who successfully straddles the boundary between two or more groups with differing goals, value systems, and behavior patterns. Whereas in the past, the marginal role always was seen as dysfunctional, marginality now is seen in a more positive light. There are many examples of marginal roles in organizations: the salesperson, the buyer, the first-line supervisor, the integrator, and the project manager.

Evidence is mounting that some people are better at taking marginal roles than are others. Those who are good at it seem to have personal qualities of low dogmatism, neutrality, open-mindedness, objectivity, flexibility, and adaptable information-processing ability. Rather than being upset by conflict, ambiguity, and stress, they thrive on it. Individuals with marginal orientations are more likely than others to develop integrative decisions that bring together and reconcile viewpoints among opposing organizational groups and are more likely to remain neutral in controversial situations. Thus, research suggests that the marginal role can have positive effects when it is filled by a person with a marginal orientation. Such a person can be more objective and better able to perform successfully in linking, integrative, or conflict-laden roles.[20]

A study of 89 external OD practitioners and 246 internal ones (response rates of 59% and 54%, respectively) showed that external professionals were more comfortable with the marginal role than were internal professionals. Internal consultants with more years of experience were more marginally oriented than were those with less experience.[21] These findings, combined with other research on marginal roles, suggest the importance of maintaining the OD practitioner's marginality, with its flexibility, independence, and boundary-spanning characteristics.

Emotional Demands The OD practitioner role is emotionally demanding. Research and practice support the importance of understanding emotions and their impact on the practitioner's effectiveness.[22] The research on emotional intelligence in organizations suggests a set of abilities that can aid OD practitioners in conducting successful change efforts. Emotional intelligence refers to the ability to recognize and express emotions

application 3.1

Personal Views of the Internal and External Consulting Positions

The Internal Consultant's View

I am an agent of change. I am also a member of this organization. I was hired for my OD skills, but also for the fact that I was seen as a "cultural fit." Sometimes I struggle between my dual roles of "team member" and "free radical." After all, it is my job to disrupt the status quo around here, helping leaders to find ways to make the organization more effective.

I have the great advantage of knowing and understanding how my organization works—its processes, policies, norms, and areas of resistance. I can usually anticipate how difficult a given change will be for members of the organization, and where the resistance will come from. Because I believe in the mission of my organization, I am able to cope with the inevitable challenges of the change process. Still, I am frequently a magnet for resistance and a receptacle of institutional anxiety. While I understand how people can be frustrated and frightened by change, it can still be difficult for me to bear the disruption I help to create.

To keep myself sharp and healthy, I breathe, run, meditate, and read. I take every learning opportunity that comes my way, and work diligently to create and maintain a network of colleagues who can support me through the rough patches. I find that my best support comes not from friends, but from people who know and understand the hard work of planned change.

As an internal consultant, I have exposure to many of the same people over time—executives, managers, and employees get to know who I am and what I do. I get to know who they are and what they do. I have the opportunity to leverage my executive relationships from project to project; over time the executives here have come to understand my work and trust my skills as a consultant. This understanding and trust saves us time and energy each time we work together. Of course, I realize that if I fail one of my executive clients, my life in this organization could become less pleasant. That can stress me out when I'm working on a messy or unpopular project. After all, my performance review is affected by client feedback, and my compensation is tied to people's perceptions of my performance. This can make it difficult to press forward with risky interventions. I am proud of my reputation around here—proud of the fact that I have built solid relationships at the executive level, that managers respect my work, and that employees value having me in the organization. Still, I am ever aware that I must walk the fine line between "respected insider" and "paid agitator."

Sometimes I'm lonely—often I'm the only OD person working in an organization; sometimes there are two or more of us, but we're always spread so thin that connecting is difficult and truly supporting one another is virtually impossible. I may work with other staff people—HR for instance—but they don't always understand my role and can't really relate to my challenges. Sometimes they can be resentful of my relationship with the client, which makes me feel alienated. I enjoy my client groups, but I must be careful not to over-identify with them; the greatest value I bring to my clients is a clean "outsider" perspective. I can't do hard change efforts with them if I'm worried about them liking me. Being a lone ranger can be thrilling, but being an outsider can get tiring.

Occasionally I bring in an external consultant to work on a specific project or problem in my organization. This can be both challenging and rewarding for me. It is time consuming to bring an outsider up to speed on my organization's business, processes, and politics. I seek external consultants who will fit in our culture, while helping us see our issues more clearly and realistically. I enjoy the process of partnering with people who have exposure to other organizations, who possess different skills and strengths from mine, and who understand the inherent discomfort of the change process. Still, this can be risky, because my reputation will be affected by this person's work and the outcomes we are able to achieve. When it works best, my partnership with the external consultant leads to improved effectiveness for my organization, while affording me a valued learning opportunity and professional support.

The best thing to me about being an internal consultant is knowing that I am contributing to the mission of my organization with every client I work with, every day.

The External Consultant's View

I am an agent of change. I work for many different organizations of varying sizes with different missions and goals. I spend most of my time helping managers, HR people, and internal consultants initiate and manage change—both planned and unplanned. I enjoy the variety in my work and the learning that comes from seeing the way change happens in different organizations and contexts.

But it is hard being an "outsider." I must work quickly to understand each new organization I work with. As an outsider it can be frustrating to navigate the inner workings of the organization—its politics, pecking order, and culture—and to root out what's important and what's not. In my role, I'm not around while the unglamorous, time-consuming, and important work of nurturing a change along is being done. So, although I experience the risk and excitement of some part of the change, I do not always get to experience the whole change process from start to finish. I rarely get to see the project bear fruit and the organization become more effective as a result of the work I've done. Sometimes the process feels incomplete, and I almost always wonder how much I've actually helped.

Being an external consultant is both rewarding and risky work. On the one hand, I am seen as an expert. I am appreciated for my assistance, applauded for my knowledge, and liked for my interpersonal skills. I have the benefit of many revenue sources, so I'm never overly dependent on one client. I am often rewarded handsomely for my time and effort, although most people mistake "daily fee" as actual income and forget about self-employment taxes and the health benefits I have to pay myself. The other truth is that I am always at risk—economic crises, budget cuts, personnel changes, executive shake ups, organizational politics, and the occasional hostile HR person are but a few of the land mines an external consultant faces. For the most part, I feel pleased and rewarded for my work as a consultant. But I always know that my situation is dependent on my client's situation, and I can never afford to get too comfortable.

When I'm hired by an executive or manager, sometimes the HR person or internal consultant may be resistant, feeling threatened by my presence. When this happens, I have to find ways to address their concern, partner with them, and still do the important work of organizational change. Sometimes just creating space for the conversation by using simple probes—"You seem very concerned about this situation" or "You must feel pretty unsupported right now"—help me uncover their discomfort so we can move forward. Sometimes these relationships are difficult throughout the engagement. It's the downside of being brought in as an "expert."

I am asked by clients to perform a wide variety of tasks ranging from content expert to process expert to personal coach. Regardless of the request, however, I am frequently aware of an unspoken need on the part of the client—manager, HR person, or internal consultant—to have me support his or her project, position, or person. When the request is to support a project, it is usually clear. When the request is to support a position, it is less clear but typically surfaces during the course of our work together. However, when the request is to support the individual personally, the request is almost never overt. This is where my self-as-instrument work serves me best, helping me to understand the unspoken—the question behind the question. While my goal is always to help my client organizations become more effective, I never forget that change can happen many different ways and at multiple levels of the system. It is my work to be aware of opportunities to intervene, and to have the skill and courage to do so as an outsider.

appropriately, to use emotions in thought and decisions, and to regulate emotion in one's self and in others.[23] It is, therefore, a different kind of intelligence from problem-solving ability, engineering aptitude, or the knowledge of concepts. In tandem with traditional knowledge and skill, emotional intelligence affects and supplements rational thought; emotions help prioritize thinking by directing attention to important information not addressed in models and theories. In that sense, some researchers argue that emotional intelligence is as important as cognitive intelligence.[24]

Reports from OD practitioners support the importance of emotional intelligence in practice. From the client's perspective, OD practitioners must understand emotions well enough to relate to and help organization members address resistance, commitment, and ambiguity at each stage of planned change. Despite the predominant focus on rationality and efficiency, almost any change process must address important and difficult issues that raise emotions such as the fear of failure, rejection, anxiety, and anger.[25] OD practitioners can provide psychological support, model appropriate emotional expression, reframe client perspectives, and provide resources. OD practitioners must also understand their own emotions. Ambiguity, unfamiliarity, or denial of emotions can lead to inaccurate and untimely interventions. For example, a practitioner who is uncomfortable with conflict may intervene to defuse an argument between two managers because of the discomfort he or she feels, not because the conflict is destructive. In such a case, the practitioner is acting to address a personal need rather than intervening to improve the system's effectiveness.

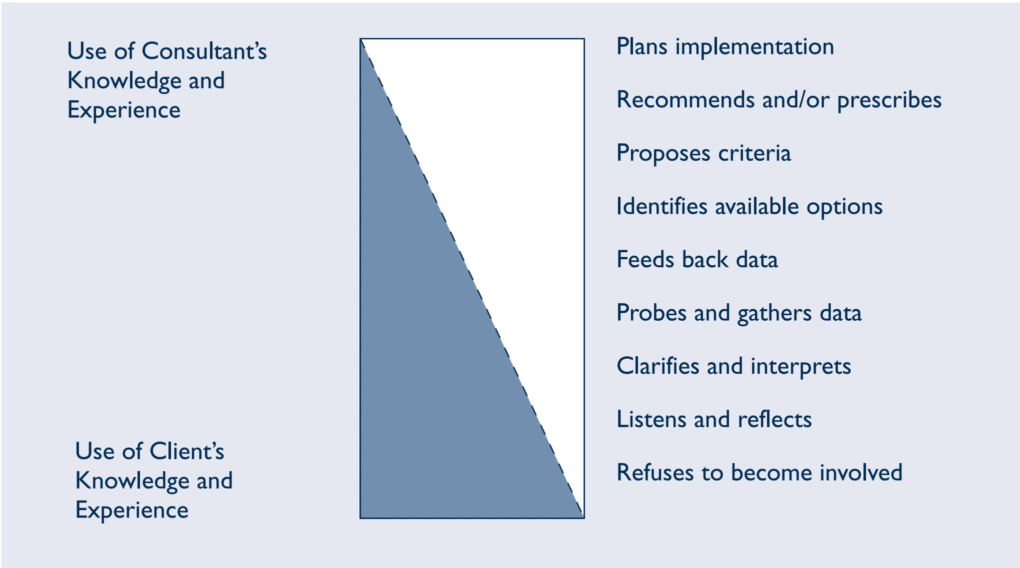
Evidence suggests that emotional intelligence increases with age and experience.[26] Research also supports the conclusion that competence with emotions can be developed through personal growth processes such as sensitivity training, counseling, and therapy. It seems reasonable to suggest that professional OD practitioners dedicate themselves to a long-term regimen of development that includes acquiring both cognitive learning and emotional intelligence.

Use of Knowledge and Experience The professional OD role has been described in terms of a continuum ranging from client centered (using the client's knowledge and experience) to consultant centered (using the consultant's knowledge and experience), as shown in Figure 3.1. Traditionally, OD consultants have worked at the client-centered end of the continuum. Organization development professionals, relying mainly on process consultation and team building (see Chapter 12), have been expected to remain neutral, refusing to offer expert advice on organizational problems. Rather than contracting to solve specific problems, the consultant has tended to work with organization members to identify problems and potential solutions, to help them study what they are doing now and consider alternative behaviors and solutions, and to help them discover whether, in fact, the consultant and they can learn to do things better. In doing that, the OD professional has generally listened and reflected upon members' perceptions and ideas and helped clarify and interpret their communications and behaviors.

The recent proliferation of OD interventions in the structural, human resource management, and strategy areas has expanded that limited definition of the professional OD role to include the consultant-centered end of the continuum. In many of the newer approaches, the consultant may have to take on a modified role of expert, with the consent and collaboration of organization members. For example, managers trying to bring about a major structural redesign (see Chapter 14) may not have the appropriate knowledge and expertise to create and manage the change and need the help of an OD practitioner with experience in this area. The consultant's role might be to present the basic concepts and ideas and then to struggle jointly with the managers to select an approach that might be useful to the organization and to decide how it might best be implemented. In this situation, the OD professional recommends or prescribes particular changes and is active in planning how to implement them. This expertise, however, is always shared rather than imposed.

[Figure 3.1]

Use of Consultant's Versus Client's Knowledge and Experience



SOURCE: Adapted by permission of the authors from W. Schmidt and A. Johnson, "A Continuum of Consultancy Styles" (unpublished manuscript, July 1970), p. 1.

With the development of new and varied intervention approaches, the OD professional's role needs to be seen as falling along the entire continuum from client centered to consultant centered. At times, the consultant will rely mainly on organization members' knowledge and experiences to identify and solve problems. At other times, it will be more appropriate to take on the role of an expert, withdrawing from that role as managers gain more knowledge and experience.

Careers of Organization Development Professionals

In contrast to such long-standing occupations as medicine and law, organization development is an emerging practice, still developing the characteristics of an established profession: a common body of knowledge, educational requirements, a recognized code of ethics, and rules and methods for governing conduct. People enter professional OD careers from various educational and work backgrounds. Because they do not have to follow an established career path, they have some choice about when to enter or leave an OD career and whether to be an internal or external consultant.[27]

Despite the looseness or flexibility of the field, most professionals have had specific training in OD. That training can include relatively short courses (one day to two weeks), programs, and workshops conducted within organizations or at outside institutions (such as NTL, USC, University Associates, Columbia University, the University of Michigan, Stanford University, and UCLA). OD training also can be more formal and lengthy, including master's programs (for example, at Pepperdine University, American University, Benedictine University, Bowling Green State University, Case Western Reserve University, Loyola University, and the Fielding Institute) and doctoral training (for example, at Benedictine University, Pepperdine University, Case Western Reserve University, Columbia University Teachers College, USC, the Fielding Institute, George Washington University, UCLA, and Stanford University).

As might be expected, career choices widen as people gain training and experience in OD. Those with rudimentary training tend to be internal consultants, often taking on OD roles as temporary assignments on the way to higher managerial or staff positions.

Holders of master's degrees generally are evenly split between internal and external consultants. Those with doctorates may join a university faculty and do consulting part-time, join a consulting firm, or seek a position as a relatively high-level internal consultant.

External consultants tend to be older, to have more managerial experience, and to spend more of their time in OD than do internal practitioners. However, one study suggested there were no differences between internal and external consultants in pay or years of consulting experience.[28] Perhaps the most common career path is to begin as an internal consultant, gain experience and visibility through successful interventions or publishing, and then become an external consultant. A field study found that internal consultants acquired greater competence by working with external consultants who purposely helped develop them. This development took place through a tutorial arrangement of joint diagnosis and intervention in the organization, which gave the internal consultants a chance to observe and learn from the model furnished by the external consultants.[29]

There is increasing evidence that an OD career can be stressful, sometimes leading to burnout.[30] Burnout comes from taking on too many jobs, becoming overcommitted, and generally working too hard. The number-one complaint of OD practitioners is constant traveling.[31] OD work often requires six-day work weeks, with some days running as long as 15 hours. Consultants may spend a week working with one organization or department and then spend the weekend preparing for the next client. They may spend 50–75% of their time on the road, living in planes, cars, hotels, meetings, and restaurants. Indeed, one practitioner has suggested that the majority of OD consultants would repeat the phrase "quality of work life for consultants" this way: "Quality of work life? For consultants?"[32]

OD professionals increasingly are taking steps to cope with burnout. They may shift jobs, moving from external to internal roles to gain more predictable hours or avoid travel. They may learn to pace themselves better and to avoid taking on too much work. Many are engaging in fitness and health programs and are using stress-management techniques, such as those described in Chapter 19.

PROFESSIONAL VALUES

Values have played an important role in organization development from its beginning. Traditionally, OD professionals have promoted a set of values under a humanistic framework, including a concern for inquiry and science, democracy, and being helpful.[33] They have sought to build trust and collaboration; to create an open, problem-solving climate; and to increase the self-control of organization members. More recently, OD practitioners have extended those humanistic values to include a concern for improving organizational effectiveness (for example, to increase productivity or to reduce turnover) and performance (for example, to increase profitability). They have shown an increasing desire to optimize both human benefits and production objectives.[34]

The joint values of humanizing organizations and improving their effectiveness have received widespread support in the OD profession as well as increasing encouragement from managers, employees, labor leaders, and government officials. Indeed, it would be difficult not to support those joint concerns. But in practice, OD professionals face serious challenges in simultaneously pursuing greater humanism and organizational effectiveness.[35] More practitioners are experiencing situations in which there is conflict between employees' needs for greater meaning and the organization's need for more effective and efficient use of its resources. For example, expensive capital equipment may run most efficiently if it is highly programmed and routinized, but people may not derive satisfaction from working with such technology. Should efficiency be maximized at the expense of people's satisfaction? Can technology be changed to make it more humanly satisfying while remaining efficient? What compromises are possible? How do these trade-offs shift when they are applied in different social cultures? These are the value dilemmas often faced when we try to optimize both human benefits and organizational effectiveness.

In addition to value issues within organizations, OD practitioners are dealing more and more with value conflicts with powerful outside groups. Organizations are open systems and exist within increasingly turbulent environments. For example, hospitals are facing complex and changing task environments. This has led to a proliferation of external stakeholders with interests in the organization's functioning, including patients, suppliers, medical groups, insurance companies, employers, the government, stockholders, unions, the press, and various interest groups. Those external groups often have different and competing values for judging the organization's effectiveness. For example, stockholders may judge the firm in terms of earnings per share, the government in terms of compliance with equal employment opportunity legislation, patients in terms of quality of care, and ecology groups in terms of hazardous waste disposal. Because organizations must rely on these external groups for resources and legitimacy, they cannot simply ignore these competing values. They must somehow respond to them and try to reconcile the different interests.

Recent attempts to help firms manage external relationships suggest the need for new interventions and competence in OD.[36] Practitioners must have not only social skills like those proposed in Table 3.1 but also political skills. They must understand the distribution of power, conflicts of interest, and value dilemmas inherent in managing external relationships, and be able to manage their own role and values with respect to those dynamics. Research suggests this is especially true in interorganizational and international applications of OD.[37] Interventions promoting collaboration and system maintenance may be ineffective in this larger arena, especially when there are power and dominance relationships among organizations and competition for scarce resources. Under those conditions, OD practitioners may need more power-oriented interventions, such as bargaining, coalition forming, and pressure tactics.

For example, organizations are coming under increasing pressure to align their practices with ecologically sound design principles. Popular and scientific concerns over global warming, toxic waste, natural resource depletion, and sustainability each have formidable nonprofit groups, citizen action committees, and professional lobbyists representing them. In addition, an increasing number of consulting firms are marketing products and processes to help organizations achieve a more sustainable relationship with the environment. In response, firms have "gone green," announced contributions to environmental funds, and created alliances with environmental nongovernmental groups. Many argue that these changes are more window dressing than real, more political than operational, and more public relations than substantive. To be fair, a number of organizations have made important changes in their philosophies, strategies, and resource allocations. As a result, the relationships between organizations and environmental groups range from benign to hostile to collaborative. People practicing OD in such settings may need to help organizations manage these relationships and implement strategies to manage their constituencies effectively. That effort will require political skills and greater attention to how the OD practitioner's own values fit with those of the organization.

PROFESSIONAL ETHICS

Ethical issues in OD are concerned with how practitioners perform their helping relationship with organization members. Inherent in any helping relationship is the potential for misconduct and client abuse. OD practitioners can let personal values stand in the way of good practice or use the power inherent in their professional role to abuse (often unintentionally) organization members.

Ethical Guidelines

To its credit, the field of OD always has shown concern for the ethical conduct of its practitioners. There have been several articles and symposia about ethics in OD.[38] In addition, statements of ethics governing OD practice have been sponsored by the

Organization Development Institute (http://members.aol.com/ODInst/ethics.htm), the American Society for Training & Development (http://www.astd.org), and a consortium of professional associations in OD. The consortium has sponsored an ethical code derived from a large-scale project conducted at the Center for the Study of Ethics in the Professions at the Illinois Institute of Technology. The project's purposes included preparing critical incidents describing ethical dilemmas and using that material for preprofessional and continuing education in OD, providing an empirical basis for a statement of values and ethics for OD professionals, and initiating a process for making the ethics of OD practice explicit on a continuing basis.[39] The ethical guidelines from that project appear in the appendix to this chapter.

Ethical Dilemmas

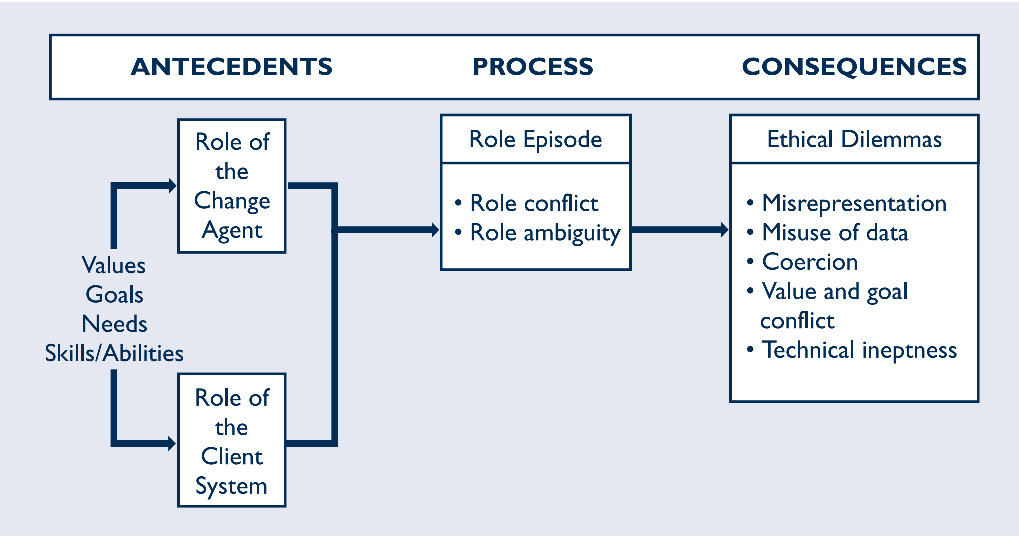
Although adherence to statements of ethics helps prevent the occurrence of ethical problems, OD practitioners still encounter ethical dilemmas. Figure 3.2 is a process model that explains how ethical dilemmas can occur in OD. The antecedent conditions include an OD practitioner and a client system with different goals, values, needs, skills, and abilities. The entry and contracting phase of planned change is intended to address and clarify these differences. As a practical matter, however, it is unreasonable to assume that all of the differences will be identified and resolved. Under such circumstances, the subsequent intervention process or role episode is almost certainly subject to role conflict and role ambiguity. Neither the client nor the OD practitioner is clear about respective responsibilities. Each party is pursuing different goals, and each is using different skills and values to achieve those goals. The role conflict and ambiguity may produce five types of ethical dilemmas: misrepresentation, misuse of data, coercion, value and goal conflict, and technical ineptness.

Misrepresentation Misrepresentation occurs when OD practitioners claim that an intervention will produce results that are unreasonable for the change program or the situation. The client can contribute to the problem by portraying inaccurate goals and needs. In either case, one or both parties are operating under false pretenses and an ethical dilemma exists. For example, in an infamous case called "The Undercover Change Agent," an attempt was made to use sensitivity training in an organization whose top management did not understand it and was not ready for it. The OD consultant sold this interpersonally intense intervention as the activity that would solve the problems facing the organization. After the president of the firm made a surprise visit to the site where the training was being held, the consultant was fired because the nature and style of the sensitivity training was in direct contradiction to the president's concepts about leadership.[40] Misrepresentation is likely to occur in the entering and contracting phases of planned change when the initial consulting relationship is being established. To prevent misrepresentation, OD practitioners need to gain clarity about the goals of the change effort, and to explore openly with the client its expected effects, its relevance to the client system, and the practitioner's competence in executing the intervention.

Misuse of Data Misuse of data occurs when information gathered during the OD process is used punitively. Large amounts of information are invariably obtained during the entry and diagnostic phases of OD. Although most OD practitioners value openness and trust, it is important that they be aware of how such data are going to be used. It is a human tendency to use data to enhance a power position. Openness is one thing, but leaking inappropriate information can be harmful to individuals and to the organization. It is easy for a consultant, under the guise of obtaining information, to gather data about whether a particular manager is good or bad. When, how, or if this information can be used is an ethical dilemma not easily resolved. To minimize misuse of data, practitioners should reach agreement up front with organization members about

[Figure 3.2]

A Role Episodic Model of Ethical Dilemmas



SOURCE: Kluwer Academic Publishers, *Journal of Business Ethics* 11 (1992): 665, "Ethical Dilemmas in Organization Development: A Cross-Cultural Analysis," L. White and M. Rhodeback, Figure 1. © 1992, Kluwer. With kind permission of Kluwer Academic Publishers.

how data collected during the change process will be used. This agreement should be reviewed periodically in light of changing circumstances.

Coercion Coercion occurs when organization members are forced to participate in an OD intervention. People should have the freedom to choose whether to participate in a change program if they are to gain self-reliance to solve their own problems. In team building, for example, team members should have the option of deciding not to become involved in the intervention. Management should not decide unilaterally that team building is good for members. However, freedom to make a choice requires knowledge about OD. Many organization members have little information about OD interventions, what they involve, and the nature and consequences of becoming involved with them. This makes it imperative for OD practitioners to educate clients about interventions before choices are made for implementing them.

Coercion also can pose ethical dilemmas for the helping relationship between OD practitioners and organization members. Inherent in any helping relationship are possibilities for excessive manipulation and dependency, two facets of coercion. Kelman pointed out that behavior change "inevitably involves some degree of manipulation and control, and at least an implicit imposition of the change agent's values on the client or the person he [or she] is influencing."[41] This places the practitioner on two horns of a dilemma: (1) Any attempt to change is in itself a change and thereby a manipulation, no matter how slight, and (2) there exists no formula or method to structure a change situation so that such manipulation can be totally avoided. To attack the first aspect of the dilemma, Kelman stressed freedom of choice, seeing any action that limits freedom of choice as being ethically ambiguous or worse. To address the second aspect, Kelman argued that the OD practitioner must remain keenly aware of her or his own value system and alert to the possibility that those values are being imposed on a client. In other words, an effective way to resolve this dilemma is to make the change effort as open as possible, with the free consent and knowledge of the individuals involved.

The second facet of coercion that can pose ethical dilemmas for the helping relationship involves dependency. Helping relationships invariably create dependency between those who need help and those who provide it.[42] A major goal in OD is to lessen clients' dependency on consultants by helping clients gain the knowledge and skills to address organizational problems and manage change themselves. In some cases, however, achieving independence from OD practitioners can result in clients being either counterdependent or overdependent, especially in the early stages of the relationship. To resolve dependency issues, consultants can openly and explicitly discuss with the client how to handle the dependency problem, especially what the client and consultant expect of one another. Another approach is to focus on problem finding. Usually, the client is looking for a solution to a perceived problem. The consultant can redirect the energy to improved joint diagnosis so that both are working on problem identification and problem solving. Such action moves the energy of the client away from dependency. Finally, dependency can be reduced by changing the client's expectation from being helped or controlled by the practitioner to a greater focus on the need to manage the problem. Such a refocusing can reinforce the understanding that the consultant is working for the client and offering assistance that is at the client's discretion.

Value and Goal Conflict This ethical conflict occurs when the purpose of the change effort is not clear or when the client and the practitioner disagree over how to achieve the goals. The important practical issue for OD consultants is whether it is justifiable to withhold services unilaterally from an organization that does not agree with their values or methods. OD pioneer Gordon Lippitt suggested that the real question is the following: Assuming that some kind of change is going to occur anyway, doesn't the consultant have a responsibility to try to guide the change in the most constructive fashion possible?[43] That question may be of greater importance and relevance to an internal consultant or to a consultant who already has an ongoing relationship with the client.

Argyris takes an even stronger stand, maintaining that the responsibilities of professional OD practitioners to clients are comparable to those of lawyers or physicians, who, in principle, may not refuse to perform their services. He suggests that the very least the consultant can do is to provide "first aid" to the organization, as long as the assistance does not compromise the consultant's values. Argyris suggests that if the Ku Klux Klan asked for assistance and the consultant could at least determine whether the KKK was genuinely interested in assessing itself and willing to commit itself to all that a valid assessment would entail concerning both itself and other groups, the consultant should be willing to help. If later the Klan's objectives proved to be less than honestly stated, the consultant would be free to withdraw without being compromised.[44]

Technical Ineptness This final ethical dilemma occurs when OD practitioners try to implement interventions for which they are not skilled or when the client attempts a change for which it is not ready. Critical to the success of any OD program is the selection of an appropriate intervention, which depends, in turn, on careful diagnosis of the organization. Selecting an intervention is closely related to the practitioner's own values, skills, and abilities. In solving organizational problems, many OD consultants emphasize a favorite intervention or technique, such as team building, total quality management, or self-managed teams. They let their own values and beliefs dictate the change method.[45] Technical ineptness dilemmas also can occur when interventions do not align with the ability of the organization to implement them. Again, careful diagnosis can reveal the extent to which the organization is ready to make a change and possesses the skills and knowledge to implement it.

Application 3.2 presents an ethical dilemma that arises frequently in OD consulting.[46] What points in the process represent practical opportunities to intervene? Do you agree with Todd's resolution to the problem? What other options did she have?

application 3.2

Kindred Todd and the Ethics of OD

Kindred Todd had just finished her master's degree in organization development and had landed her first consulting position with a small consulting company in Edmonton, Alberta, Canada. The president, Larry Stepchuck, convinced Todd that his growing organization offered her a great opportunity to learn the business. He had a large number of contacts, an impressive executive career, and several years of consulting experience behind him.

In fact, the firm was growing; adding new clients and projects as fast as its president could hire consultants. A few weeks after Todd was hired, Stepchuck assigned her to a new client, a small oil and gas company. "I've met with the client for several hours," he told her. "They are an important and potentially large opportunity for our firm. They're looking to us to help them address some long-range planning issues. From the way they talk, they could also use some continuous quality improvement work as well."

As Todd prepared for her initial meeting with the client, she reviewed financial data from the firm's annual report, examined trends in the client's industry, and thought about the issues that young firms face. Stepchuck indicated that Todd would first meet with the president of the firm to discuss initial issues and next steps.

When Todd walked into the president's office, she was greeted by the firm's entire senior management team. Team members expressed eagerness to get to work on the important issues of how to improve the organization's key business processes. They believed that an expert in continuous quality improvement (CQI), such as Todd, was exactly the kind of help they needed to increase efficiency and cut costs in the core business. Members began to ask direct questions about technical details of CQI, the likely timeframe within which they might expect results, how to map key processes, and how to form quality improvement teams to identify and implement process improvements.

Todd was stunned and overwhelmed. Nothing that Stepchuck said about the issues facing this company was being discussed and, worse, it was clear that he had sold her to the client as an "expert" in CQI. Her immediate response was to suggest that all of their questions were good ones, but that they needed to be answered in the context of the long-range goals and strategies of the firm. Todd proposed that the best way to begin was for team members to provide her with some history about the organization. In doing so, she was able to avert disaster and embarrassment for herself and her company, and to appear to be doing all the things necessary to begin a CQI project. The meeting ended with Todd and the management team agreeing to meet again the following week.

Immediately the next day, Todd sought out the president of her firm. She reported on the results of the meeting and her surprise at being sold to this client as an expert on CQI. Todd suggested that her own competencies did not fit the needs of the client and requested that another consultant—one with expertise in CQI—be assigned to the project.

Larry Stepchuck responded to Todd's concerns: "I've known these people for over ten years. They don't know exactly what they need. CQI is an important buzzword. It's the flavor of the month and if that's what they want, that's what we'll give them." He also told her that there were no other consultants available for this project. "Besides," he said, "the president of the client firm just called to say how much he enjoyed meeting with you and was looking forward to getting started on the project right away."

Kindred Todd felt that Stepchuck's response to her concerns included a strong, inferred ultimatum: If you want to stay with this company, you had better take this job. "I knew I had to sink or swim with this job and this client," she later reported.

As Todd reflected on her options, she pondered the following questions:

- How can I be honest with this client and thus not jeopardize my values of openness and honesty?
- How can I be helpful to this client?
- How much do I know about quality improvement processes?
- How do I satisfy the requirements of my employer?
- What obligations do I have?
- Who's going to know if I do or don't have the credentials to perform this work?
- What if I fail?

After thinking about those issues, Todd summarized her position in terms of three dilemmas: a dilemma of self (who is Kindred Todd?), a dilemma of competence (what can I do?), and a dilemma of confidence (do I like who I work for?). Based on the issues, Todd made the following tactical decisions. She spent two days at the library reading about and studying total quality management and CQI. She also contacted several of her friends and former classmates who had experience with quality improvement efforts. Eventually, she contracted with one of them to be her "shadow" consultant—to work with her behind the scenes on formulating and implementing an intervention for the client.

Based on her preparation in the library and the discussions with her shadow consultant, Kindred Todd was able to facilitate an appropriate and effective intervention for the client. Shortly after her assignment was completed, she resigned from the consulting organization.

SUMMARY

This chapter has examined the role of the organization development practitioner. The term OD practitioner applies to three sets of people: individuals specializing in OD as a profession, people from related fields who have gained some competence in OD, and managers having the OD skills necessary to change and develop their organizations or departments. Comprehensive lists enumerate core and advanced skills and knowledge that an effective OD specialist should possess, but a smaller set of basic skills and knowledge is applicable for all practitioners at all levels. These include four kinds of background: intrapersonal skills, interpersonal skills, general consultation skills, and knowledge of OD theory.

The professional OD role can apply to internal consultants who belong to the organization undergoing change, to external consultants who are members of universities and consulting firms or are self-employed, and to members of internal–external consulting teams. The OD practitioner's role may be described aptly in terms of marginality and emotional demands. People with a tolerance for marginal roles seem especially suited for OD practice because they are able to maintain neutrality and objectivity and to develop integrative solutions that reconcile viewpoints among opposing organizational departments. Similarly, the OD practitioner's emotional intelligence and awareness are keys to implementing the role successfully. Whereas in the past the OD practitioner's role has been described as standing at the client end of the continuum from client-centered to consultant-centered functioning, the development of new and varied interventions has shifted the role of the OD professional to cover the entire range of that continuum.

Although OD is still an emerging field, most practitioners have specific training that ranges from short courses and workshops to graduate and doctoral education. No single career path exists, but internal consulting is often a stepping-stone to becoming an external consultant. Because of the hectic pace of OD practice, specialists should be prepared to cope with high levels of stress and the possibility of career burnout.

Values have played a key role in OD, and traditional values promoting trust, collaboration, and openness have been supplemented recently with concerns for improving organizational effectiveness and productivity. OD specialists may face value dilemmas in trying to jointly optimize human benefits and organization performance. They also may

encounter value conflicts when dealing with powerful external stakeholders, such as the government, stockholders, and customers. Dealing with those outside groups may take political skills, as well as the more traditional social skills.

Ethical issues in OD involve how practitioners perform their helping role with clients. As a profession, OD always has shown a concern for the ethical conduct of its practitioners, and several ethical codes for OD practice have been developed by various professional associations. Ethical dilemmas in OD arise around misrepresentation, misuse of data, coercion, value and goal conflict, and technical ineptness.

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APPENDIX

Ethical Guidelines for an Organization Development/Human Systems Development (OD/HSD) Professional

Sponsored by the Human Systems Development Consortium (HSDC), a significant integrative effort by Bill Gellermann has been under way to develop "A Statement of Values and Ethics for Professionals in Organization and Human System Development." HSDC is an informal collection of the leaders of most of the professional associations related to the application of the behavioral and social sciences. A series of drafts based on extensive contributions, comments, and discussions involving many professionals and organizations has led to the following version of this statement.

As an OD/HSD Professional, I commit to supporting and acting in accordance with the following guidelines:

I. Responsibility for Professional Development and Competence

A. Accept responsibility for the consequences of my acts and make every effort to ensure that my services are properly used.

B. Recognize the limits of my competence, culture, and experience in providing services and using techniques; neither seek nor accept assignments outside those limits without clear understanding by the client when exploration at the edge of my competence is reasonable; refer client to other professionals when appropriate.

C. Strive to attain and maintain a professional level of competence in the field, including

1. broad knowledge of theory and practice in
   a. applied behavioral science generally.
   b. management, administration, organizational behavior, and system behavior specifically.
   c. multicultural issues including issues of color and gender.
   d. other relevant fields of knowledge and practice.
2. ability to
   a. relate effectively with individuals and groups.
   b. relate effectively to the dynamics of large, complex systems.
   c. provide consultation using theory and methods of the applied behavioral sciences.
   d. articulate theory and direct its application, including creation of learning experiences for individuals, small and large groups, and for whole systems.

D. Strive continually for self-knowledge and personal growth; be aware that "what is in me" (my perceptions of myself in my world) and "what is outside me" (the realities that exist apart from me) are not the same; be aware that my values, beliefs, and aspirations can both limit and empower me and that they are primary determinants of my perceptions, my behavior, and my personal and professional effectiveness.

E. Recognize my own personal needs and desires and deal with them responsibly in the performance of my professional roles.

F. Obtain consultation from OD/HSD professionals who are native to and aware of the specific cultures within which I work when those cultures are different from my own.

II. Responsibility to Clients and Significant Others

A. Serve the short- and long-term welfare, interests, and development of the client system and all its stakeholders; maintain balance in the timing, pace, and magnitude of planned change so as to support a mutually beneficial relationship between the system and its environment.

B. Discuss candidly and fully goals, costs, risks, limitations, and anticipated outcomes of any program or other professional relationship under consideration; seek to avoid automatic confirmation of predetermined conclusions, either the client's or my own; seek optimum involvement by client system members in every step of the process, including managers and workers' representatives; fully inform client system members about my role, contribution, and strategy in working with them.
C. Fully inform participants in any activity or procedure as to its sponsorship, nature, purpose, implications, and any significant risk associated with it so that they can freely choose their participation in any activity initiated by me; acknowledge that their choice may be limited with activity initiated by recognized authorities; be particularly sensitive to implications and risks when I work with people from cultures other than my own.
D. Be aware of my own personal values, my values as an OD/HSD professional, the values of my native culture, the values of the people with whom I am working, and the values of their cultures; involve the client system in making relevant cultural differences explicit and exploring the possible implications of any OD/HSD intervention for all the stakeholders involved; be prepared to make explicit my assumptions, values, and standards as an OD/HSD professional.
E. Help all stakeholders while developing OD/HSD approaches, programs, and the like, if they wish such help; for example, this could include workers' representatives as well as managers in the case of work with a business organization.
F. Work collaboratively with other internal and external consultants serving the same client system and resolve conflicts in terms of the balanced best interests of the client system and all its stakeholders; make appropriate arrangements with other internal and external consultants about how responsibilities will be shared.
G. Encourage and enable my clients to provide for themselves the services I provide rather than foster continued reliance on me; encourage, foster, and support self-education and self-development by individuals, groups, and all other human systems.
H. Cease work with a client when it is clear that the client is not benefiting or the contract has been completed; do not accept an assignment if its scope is so limited that the client will not benefit or it would involve serious conflict with the values and ethics outlined in this statement.
I. Avoid conflicts of interest.
    1. Fully inform the client of my opinion about serving similar or competing organizations; be clear with myself, my clients, and other concerned stakeholders about my loyalties and responsibilities when conflicts of interest arise; keep parties informed of these conflicts; cease work with the client if the conflicts cannot be adequately resolved.
    2. Seek to act impartially when involved in conflicts between parties in the client system; help them resolve their conflicts themselves, without taking sides; if necessary to change my role from serving as impartial consultant, do so explicitly; cease work with the client, if necessary.
    3. Identify and respond to any major differences in professionally relevant values or ethics between myself and my clients with the understanding that conditions may require ceasing work with the client.
    4. Accept differences in the expectations and interests of different stakeholders and realize that those differences cannot be reconciled all the time.
J. Seek consultation and feedback from neutral third parties in case of conflict between myself and my client.

K. Define and protect the confidentiality of my client–professional relationships.
   1. Make limits of confidentiality clear to clients/participants.
   2. Reveal information accepted in confidence only to appropriate or agreed-upon recipients or authorities.
   3. Use information obtained during professional work in writings, lectures, or other public forums only with prior consent or when disguised so that it is impossible from my presentations alone to identify the individuals or systems with whom I have worked.
   4. Make adequate provisions for maintaining confidentiality in the storage and disposal of records; make provisions for responsibly preserving records in the event of my retirement or disability.

L. Establish mutual agreement on a contract covering services and remuneration.
   1. Ensure a clear understanding of and mutual agreement on the services to be performed; do not shift from that agreement without both a clearly defined professional rationale for making the shift and the informed consent of the clients/participants; withdraw from the agreement if circumstances beyond my control prevent proper fulfillment.
   2. Ensure mutual understanding and agreement by putting the contract in writing to the extent feasible, yet recognize that
      a. the spirit of professional responsibility encompasses more than the letter of the contract.
      b. some contracts are necessarily incomplete because complete information is not available at the outset.
      c. putting the contract in writing may be neither necessary nor desirable.
   3. Safeguard the best interests of the client, the profession, and the public by making sure that financial arrangements are fair and in keeping with appropriate statutes, regulations, and professional standards.

M. Provide for my own accountability by evaluating and assessing the effects of my work.
   1. Make all reasonable efforts to determine if my activities have accomplished the agreed-upon goals and have not had other undesirable consequences; seek to undo any undesirable consequences, and do not attempt to cover up these situations.
   2. Actively solicit and respond with an open mind to feedback regarding my work and seek to improve.
   3. Develop, publish, and use assessment techniques that promote the welfare and best interests of clients/participants; guard against the misuse of assessment results.

N. Make public statements of all kinds accurately, including promotion and advertising, and give service as advertised.
   1. Base public statements providing professional opinions or information on scientifically acceptable findings and techniques as much as possible, with full recognition of the limits and uncertainties of such evidence.
   2. Seek to help people make informed choices when making statements as part of promotion or advertising.
   3. Deliver services as advertised and do not shift without a clear professional rationale and the informed consent of the participants/clients.

III. Responsibility to the Profession

A. Act with due regard for the needs, special competencies and obligations of my colleagues in OD/HSD and other professions; respect the prerogatives and obligations of the institutions or organizations with which these other colleagues are associated.

B. Be aware of the possible impact of my public behavior upon the ability of colleagues to perform their professional work; perform professional activity in a way that will bring credit to the profession.

C. Work actively for ethical practice by individuals and organizations engaged in OD/HSD activities and, in case of questionable practice, use appropriate channels for confronting it, including

   1. direct discussion when feasible.
   2. joint consultation and feedback, using other professionals as third parties.
   3. enforcement procedures of existing professional organizations.
   4. public confrontation.

D. Contribute to continuing professional development by

   1. supporting the development of other professionals, including mentoring with less experienced professionals.
   2. contributing ideas, methods, findings, and other useful information to the body of OD/HSD knowledge and skill.

E. Promote the sharing of OD/HSD knowledge and skill by various means including

   1. granting use of my copyrighted material as freely as possible, subject to a minimum of conditions, including a reasonable price defined on the basis of professional as well as commercial values.
   2. giving credit for the ideas and products of others.

IV. Social Responsibility

A. Strive for the preservation and protection of fundamental human rights and the promotion of social justice.

B. Be aware that I bear a heavy social responsibility because my recommendations and professional actions may alter the lives and well-being of individuals within my client systems, the systems themselves, and the larger systems of which they are subsystems.

C. Contribute knowledge, skill, and other resources in support of organizations, programs, and activities that seek to improve human welfare; be prepared to accept clients who do not have sufficient resources to pay my full fees at reduced fees or no charge.

D. Respect the cultures of the organization, community, country, or other human system within which I work (including the cultures' traditions, values, and moral and ethical expectations and their implications), yet recognize and constructively confront the counterproductive aspects of those cultures whenever feasible; be sensitive to cross-cultural differences and their implications; be aware of the cultural filters which bias my view of the world.

E. Recognize that accepting this statement as a guide for my behavior involves holding myself to a standard that may be more exacting than the laws of any country in which I practice.

F. Contribute to the quality of life in human society at large; work toward and support a culture based on mutual respect for each other's rights as human beings; encourage the development of love, trust, openness, mutual responsibility, authentic and harmonious relationships, empowerment, participation, and involvement in a spirit of freedom and self-discipline as elements of this culture.

G. Engage in self-generated or collaborative endeavor to develop means for helping across cultures.

H. Serve the welfare of all the people of Earth, all living things, and their environment.

part 2

The Process of Organization Development

4

Entering and Contracting

The planned change process described in Chapter 2 generally starts when one or more managers or administrators sense an opportunity for their organization, department, or group, believe that new capabilities need to be developed, or decide that performance could be improved through organization development. The organization might be successful yet have room for improvement. It might be facing impending environmental conditions that necessitate a change in how it operates. The organization could be experiencing particular problems, such as poor product quality, high rates of absenteeism, or dysfunctional conflicts among departments. Conversely, the problems might appear more diffuse and consist simply of feelings that the organization should be "more innovative," "more competitive," or "more effective."

Entering and contracting are the initial steps in the OD process. They involve defining in a preliminary manner the organization's problems or opportunities for development and establishing a collaborative relationship between the OD practitioner and members of the client system about how to work on those issues. Entering and contracting set the initial parameters for carrying out the subsequent phases of OD: diagnosing the organization, planning and implementing changes, and evaluating and institutionalizing them. They help to define what issues will be addressed by those activities, who will carry them out, and how they will be accomplished.

Entering and contracting can vary in complexity and formality depending on the situation. In those cases where the manager of a work group or department serves as his or her own OD practitioner, entering and contracting typically involve the manager and group members meeting to discuss what issues to work on and how they will jointly meet the goals they set. Here, entering and contracting are relatively simple and informal. They involve all relevant members directly in the process—with a minimum of formal procedures. In situations where managers and administrators are considering the use of professional OD practitioners, either from inside or from outside the organization, entering and contracting tend to be more complex and formal.[1] OD practitioners may need to collect preliminary information to help define the problematic or development issues. They may need to meet with representatives of the client organization rather than with the total membership; they may need to formalize their respective roles and how the change process will unfold. In cases where the anticipated changes are strategic and large in scale, formal proposals from multiple consulting firms are requested and legal contracts are drawn up.

This chapter first discusses the activities and content-oriented issues involved in entering into and contracting for an OD initiative. Major attention here will be directed at complex processes involving OD professionals and client organizations. Similar entering and contracting issues, however, need to be addressed in even the simplest OD efforts, where managers serve as OD practitioners for their own work units. Unless there is clarity and agreement about what issues to work on, who will address them and how that will be accomplished, and what timetable will be followed, subsequent stages of the OD process are likely to be confusing and ineffective. The chapter concludes with a discussion of the interpersonal process issues involved in entering and contracting for OD work.

ENTERING INTO AN OD RELATIONSHIP

An OD process generally starts when a member of an organization or unit contacts an OD practitioner about potential help in addressing an organizational issue.[2] The organization member may be a manager, staff specialist, or some other key participant; the practitioner may be an OD professional from inside or outside of the organization. Determining whether the two parties should enter into an OD relationship typically involves clarifying the nature of the organization's current functioning and the issue(s) to be addressed, the relevant client system for that issue, and the appropriateness of the particular OD practitioner.[3] In helping assess these issues, the OD practitioner may need to collect preliminary data about the organization. Similarly, the organization may need to gather information about the practitioner's competence and experience.[4] This knowledge will help both parties determine whether they should proceed to develop a contract for working together.

This section describes the activities involved in entering an OD relationship: clarifying the organizational issue, determining the relevant client, and selecting the appropriate OD practitioner.

Clarifying the Organizational Issue

When seeking help from OD practitioners, organizations typically start with a presenting problem—the issue that has caused them to consider an OD process. It may be specific (decreased market share, increased absenteeism) or general ("we're growing too fast," "we need to prepare for rapid changes"). The presenting problem often has an implied or stated solution. For example, managers may believe that because costs are high, laying off members of their department is the obvious answer. They may even state the presenting problem in the form of a solution: "We need to downsize our organization."

In many cases, however, the presenting problem is only a symptom of an underlying problem. For example, high costs may result from several deeper causes, including ineffective new product development or manufacturing processes, inappropriate customer service policies and procedures, or conflict between two interdependent groups. The issue facing the organization or department must be clarified early in the OD process so that subsequent diagnostic and intervention activities are focused correctly.[5]

Gaining a clearer perspective on the organizational issue may require collecting preliminary data.[6] OD practitioners often examine company records and interview a few key members to gain an introductory understanding of the organization, its context, and the nature of the presenting problem. Those data are gathered in a relatively short period of time—typically over a few hours to one or two days. They are intended to provide enough rudimentary knowledge of the organizational issue to enable the two parties to make informed choices about proceeding with the contracting process.

The diagnostic phase of OD involves a far more extensive assessment of the problematic or development issue than occurs during the entering and contracting stage. The diagnosis also might discover other issues that need to be addressed, or it might lead to redefining the initial issue that was identified during the entering and contracting stage. This is a prime example of the emergent nature of the OD process: Things may change as new information is gathered and new events occur.

Determining the Relevant Client

A second activity in entering an OD relationship is defining the relevant client for addressing the organizational issue.[7] Generally, the relevant client includes those organization members who can directly impact the change issue, whether it is solving a particular problem or improving an already successful organization or department. Unless these members are identified and included in the entering and contracting

process, they may withhold their support for and commitment to the OD process. In trying to improve the productivity of a unionized manufacturing plant, for example, the relevant client may need to include union officials as well as managers and staff personnel. It is not unusual for an OD project to fail because the relevant client was inappropriately defined.

Determining the relevant client can vary in complexity depending on the situation. In those cases where the organizational issue can be addressed in a specific organization unit, client definition is relatively straightforward. Members of that unit constitute the relevant client. They or their representatives must be included in the entering and contracting process. For example, if a manager asked for help in improving the decision-making process of his or her team, the manager and team members would be the relevant client. Unless they are actively involved in choosing an OD practitioner and defining the subsequent change process, there is little likelihood that OD will improve team decision making.

Determining the relevant client is more complex when the organizational issue cannot readily be addressed in a single unit. Here, it may be necessary to expand the definition of the client to include members from multiple units, from different hierarchical levels, and even from outside of the organization. For example, the manager of a production department may seek help in resolving conflicts between his or her unit and other departments in the organization. The relevant client would extend beyond the boundaries of the production department because that department alone cannot resolve the issue. The client might include members from all departments involved in the conflict as well as the executive to whom all of the departments report. If that interdepartmental conflict also involved key suppliers and customers from outside of the firm, the relevant client might include members of those groups.

In such complex situations, OD practitioners need to gather additional information about the organization to determine the relevant client, generally as part of the preliminary data collection that typically occurs when clarifying the issue to be addressed. When examining company records or interviewing personnel, practitioners can seek to identify the key members and organizational units that need to be involved. For example, they can ask organization members questions such as these: Who can directly impact the organizational issue? Who has a vested interest in it? Who has the power to approve or reject the OD effort? Answers to those questions can help determine who is the relevant client for the entering and contracting stage, although the client may change during the later stages of the OD process as new data are gathered and changes occur. If so, participants may have to return to and modify this initial stage of the OD effort.

Selecting an OD Practitioner

The last activity involved in entering an OD relationship is selecting an OD practitioner who has the expertise and experience to work with members on the organizational issue. Unfortunately, little systematic advice is available on how to choose a competent OD professional, whether from inside or outside of the organization.[8] To help lower the uncertainty of choosing from among external OD practitioners, organizations may request that proposals be submitted. In these cases, the OD practitioner must take all of the information gathered in the prior steps and create an outline of how the process might unfold. Table 4.1 provides one view of the key elements of such a proposal. It suggests that a written proposal include project goals, outlines of action plans, a list of roles and responsibilities, recommended interventions, and proposed fees and expenses.

For less formal and structured selection processes, the late Gordon Lippitt, a pioneering practitioner in the field, suggested several criteria for selecting, evaluating, and developing OD practitioners.[9] Lippitt listed areas that managers should consider before

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selecting a practitioner—including their ability to form sound interpersonal relationships, the degree of focus on the problem, the skills of the practitioner relative to the problem, the extent that the consultant clearly informs the client as to his or her role and contribution, and whether the practitioner belongs to a professional association. References from other clients are highly important. A client may not like the consultant's work, but it is critical to know the reasons for both pleasure and displeasure. One important consideration is whether the consultant approaches the organization with openness and an insistence on diagnosis or whether the practitioner appears to have a fixed program that is applicable to almost any organization.

Certainly, OD consulting is as much a person specialization as it is a task specialization. The OD professional needs not only a repertoire of technical skills but also the personality and interpersonal competence to use himself or herself as an instrument of change. Regardless of technical training, the consultant must be able to maintain a boundary position, coordinating among various units and departments and mixing disciplines, theories, technology, and research findings in an organic rather than in a mechanical way. The practitioner is potentially the most important OD technology available.

Thus, in selecting an OD practitioner perhaps the most important issue is the fundamental question, "How effective has the person been in the past, with what kinds of organizations, using what kinds of techniques?" In other words, references must be checked. Interpersonal relationships are tremendously important, but even con artists have excellent interpersonal relationships and skills.

The burden of choosing an effective OD practitioner should not rest entirely with the client organization.[10] As described in the Ethical Dilemmas section of Chapter 3, consultants also bear a heavy responsibility in finding whether there is a match between their skills and knowledge and what the organization or department needs. Few managers are sophisticated enough to detect or to understand subtle differences in expertise among OD professionals, and they often do not understand the difference between

intervention specialties. Thus, practitioners should help educate potential clients, being explicit about their strengths and weaknesses and their range of competence. If OD professionals realize that a good match does not exist, they should inform the client and help them find more suitable help.

Application 4.1 describes the entering process at Alegent Health, a large health care system in Nebraska and western Iowa. The entry process was largely "virtual" in that the researchers worked through two consultants who were conducting OD interventions on a regular basis. The case highlights how OD work can come in different forms and through different channels. It also reflects how quickly the "entry" process can occur. This is the first in a series of applications based on the Alegent project that will be used throughout the text.

DEVELOPING A CONTRACT

The activities of entering an OD relationship are a necessary prelude to developing an OD contract. They define the major focus for contracting, including the relevant parties. Contracting is a natural extension of the entering process and clarifies how the OD process will proceed. It typically establishes the expectations of the parties, the time and resources that will be expended, and the ground rules under which the parties will operate.

The goal of contracting is to make a good decision about how to carry out the OD process.[11] It can be relatively informal and involve only a verbal agreement between the client and the OD practitioner. A team leader with OD skills, for example, may voice his or her concerns to members about how the team is functioning. After some discussion, they might agree to devote one hour of future meeting time to diagnosing the team with the help of the leader. Here, entering and contracting are done together, informally. In other cases, contracting can be more protracted and result in a formal document. That typically occurs when organizations employ outside OD practitioners. Government agencies, for example, generally have procurement regulations that apply to contracting with outside consultants.[12]

Regardless of the level of formality, all OD processes require some form of explicit contracting that results in either a verbal or a written agreement. Such contracting clarifies the client's and the practitioner's expectations about how the OD process will take place. Unless there is mutual understanding and agreement about the process, there is considerable risk that someone's expectations will be unfulfilled.[13] That can lead to reduced commitment and support, to misplaced action, or to premature termination of the process.

The contracting step in OD generally addresses three key areas:[14] setting mutual expectations or what each party expects to gain from the OD process; the time and resources that will be devoted to it; and the ground rules for working together.

Mutual Expectations

This part of the contracting process focuses on the expectations of the client and the OD practitioner. The client states the services and outcomes to be provided by the OD practitioner and describes what the organization expects from the process and the consultant. Clients usually can describe the desired outcomes, such as lower costs or higher job satisfaction. Encouraging them to state their wants in the form of outcomes, working relationships, and personal accomplishments can facilitate the development of a good contract.[15]

The OD practitioner also should state what he or she expects to gain from the OD process. This can include opportunities to try new interventions, report the results to other potential clients, and receive appropriate compensation or recognition.

application 4.1

Entering Alegent Health

Alegent Health (AH) is a five-hospital system that serves the greater Omaha, Nebraska, and western Iowa region. Alegent was formed when two religious-sponsored health care systems merged to leverage health care industry changes and bargain more powerfully with physicians and insurance providers. The system had its own managed care insurance program, was implementing a consumer-directed health care program for its employees, and had about 100 employed physicians in addition to the physicians with privileges at its hospitals.

Two well-known OD consultants had been working with AH for about two years, doing a variety of OD work. By far, the largest piece of work was the design and delivery of large-group interventions known as decision accelerators (DAs) to create strategies for the major clinical service areas, such as orthopedics, cardiology, and women's and children's services. [Note: large-group interventions are multi-stakeholder meetings of over 50 people—see Chapter 13 for more information.]

At an organization design conference in April, one of the consultants was talking with researchers from the Center for Effective Organizations at USC. The conversation turned to a discussion of the work at AH and the possibility of evaluating the change effort. The researchers were excited about the organization development and large-group intervention work in the health care context. The consultant agreed to pitch the idea to AH's Chief Innovation Officer (CIO).

Following some additional background conversations with the researchers and the CIO, the consultant sent the following email in June:

> Dear CIO:
>
> I would like to introduce you to the Center for Effective Organization researchers. As we discussed, the researchers are very interested in the work being done at AH and will be calling you early next week to discuss the possibility of doing a research project on the Decision Accelerator effort. The form of research is typically action research, meaning the data will be valuable for Alegent in not only defining the impact and effectiveness of the DA but learning how to position this capability for improved Alegent organizational effectiveness. This can be quite valuable as Alegent moves into this next round of change and transformation.
>
> Thanks all.

The researchers spent the next few days talking to the two consultants about the organization, its history, strategy, structure, and culture, as well as the motivation for the large-group, decision accelerator process. They also collected data on AH through the Internet. Alegent was indeed a unique organization. It was highly successful from a financial point of view, had a new CEO who had been brought in from Florida, and had a strong faith-based mission.

In the first phone call with the CIO, the researchers introduced themselves, described the mission of the research center, and their interest in doing a case study of change at Alegent. The CIO talked about the history of change at AH and asked questions about the value the project would have for them. He saw several benefits, including the opportunity to generate a history of the change, to learn about the impacts of the change process on the organization's culture and members, and to build a database that could be used to advance the health system's objective of "changing the face of health care." The call ended with the agreement that the CIO would talk with others in the organization, including the CEO, and that the researchers should begin to put together a project purpose, cost estimate, and schedule.

In the second call, the researchers presented their understanding of the project as a case study assessment of how innovation was created and implemented at Alegent. They described a way of working with organizations—the establishment of a "study team" composed of several key stakeholders in the organization. The study team would meet, before the project officially began, to review the objectives of the study and ensure that the work was relevant to the organization. There was some conversation about who might be on that team, including the CEO, CFO, the hospital presidents, and the VPs of the clinical service areas.

Subsequent email exchanges among the consultants, the CIO, and the researchers led to a verbal agreement that the project should begin in October. The CIO believed there was much to gain from the project, and asked the Director of the Right Track office (this was the internal name AH had given to the decision accelerator) to lead the contracting process and to help the researchers schedule meetings and interviews.

Time and Resources

To accomplish change, the organization and the OD practitioner must commit time and resources to the effort. Each must be clear about how much energy and how many resources will be dedicated to the change process. Failure to make explicit the necessary requirements of a change process can quickly ruin an OD effort. For example, a client may clearly state that the assignment involves diagnosing the causes of poor productivity in a work group. However, the client may expect the practitioner to complete the assignment without talking to the workers. Typically, clients want to know how much time will be necessary to complete the assignment, who needs to be involved, how much it will cost, and so on.

Block has suggested that resources can be divided into two parts.[16] Essential requirements are things that are absolutely necessary if the change process is to be successful. From the practitioner's perspective, they can include access to key people or information, enough time to do the job, and commitment from certain stakeholder groups. The organization's essential requirements might include a speedy diagnosis or assurances that the project will be conducted at the lowest price. Being clear about the constraints on carrying out the assignment will facilitate the contracting process and improve the chances for success. Desirable requirements are those things that would be nice to have but are not absolutely necessary, such as access to special resources or written rather than verbal reports.

Ground Rules

The final part of the contracting process involves specifying how the client and the OD practitioner will work together. The parameters established may include such issues as confidentiality, if and how the OD practitioner will become involved in personal or interpersonal issues, how to terminate the relationship, and whether the practitioner is supposed to make expert recommendations or help the manager make decisions. For internal consultants, organizational politics make it especially important to clarify issues of how to handle sensitive information and how to deliver "bad news."[17] Such process issues are as important as the needed substantive changes. Failure to address the concerns may mean that the client or the practitioner has inappropriate assumptions about how the process will unfold.

Application 4.2 describes the contracting process for the evaluation project at Alegent Health. In this case, the contracting process was much more complicated than the entry process. What would you list as the strengths and weaknesses of this example?

INTERPERSONAL PROCESS ISSUES IN ENTERING AND CONTRACTING

The previous sections on entering and contracting addressed the activities and content-oriented issues associated with beginning an OD project. In this final section, we discuss the interpersonal issues an OD practitioner must be aware of to produce a successful agreement. In most cases, the client's expectations, resources, and working relationship requirements will not fit perfectly with the OD practitioner's essential and desirable requirements. Negotiating the differences to improve the likelihood of success can be intra- and interpersonally challenging.

Entering and contracting are the first exchanges between a client and an OD practitioner. Establishing a healthy relationship at the outset makes it more likely that the client's desired outcomes will be achieved and that the OD practitioner will be able to improve the organization's capacity to manage change in the future. As shown in Figure 4.1, this initial stage is full of uncertainty and ambiguity. On the one hand, the client is likely to feel exposed, inadequate, or vulnerable. The organization's current

application 4.2

Contracting with Alegent Health

Following the verbal approval of the CIO to begin the work, the researchers began working with the Right Track director and the consultants to formulate an agreement on how to proceed with the case study and assessment. The contracting process proceeded on two parallel paths. One path was the specification of the formal contract—who, what, how much, and why—and the second path was the project scheduling—who, when, and where.

Formal Contracting Process

The formal contracting process required the researchers to propose a purpose, cost estimate, and schedule for the case study. The researchers' initial proposal looked like this:

WORK STREAM	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY
DA archives	• Collect DA materials • Create coding scheme	• Coding	• Write up archival data		
Interviews	• Finalize interview questions • Arrange interview schedule	• First round of interviews • Develop coding scheme	• Second round of interviews • Coding • Begin analysis of interviews		
Governance		• Meet with "study team"	• Feedback meeting	• Transfer learnings to organization	• Article writing

The first work stream was the DA archives. The researchers had learned, through the consultants and the Right Track director, that the Right Track staff kept nearly verbatim transcripts and descriptions of each of the decision accelerator meetings that took place. Thus, the researchers proposed an analysis of those documents as an important work stream in the process. The second work stream, representing the bulk of the data collection, would be two rounds of interviews with executives, managers, and staff involved in the change process. Finally, the project would be governed by a study team who would work to frame project objectives, receive the feedback and assist in data interpretation, and help to transfer the learnings back to the organization.

In addition to the timeline, the research proposal outlined the purpose of the project; the likely benefits to Alegent; the estimated costs for interviews, data analysis, and direct expenses; the support resources expected from Alegent, including the establishment of the study team; a statement about data confidentiality; and some suggested publication outlets. The Right Track director reviewed the document and asked for some additional detail. As described in the "Project Scheduling Process" section below, the start date had slipped to early November.

Dear Right Track Director

We got a message from the consultants that you need a little extra "drill down detail" on the case study assessment project. We've taken a stab at such a document and it is attached.

The document includes a one-page description of proposed dates, activities, and information to be gathered. Please let me know if this meets your needs.

The document also lists a set of potential questions for the initial round of interviews. There are two issues we could use your

guidance on. First, what is the appropriate time frame for questions about strategy? Second, we've listed a couple of options for using a survey during the interview to collect information that would take too long to collect through just interview questions. Your counsel would be appreciated.

Thanks.

Data Collection Plan—Right Track Assessment Project

DATE	ACTIVITY	DATA TO BE COLLECTED
Day 1 during the week of November 6th	• Meet with study team members to verify objectives and methods and refine them in order to incorporate sponsor concerns • Initial interviews with senior executives[1] to understand broad strategic context of organization and Right Track process	• Executive sense of business strategy, organization design, and Right Track impact on organization • Broad scoping of the post-RT implementation/refinement activities germane to planning remainder of interviews/data gathering • (Initial draft of questions attached)
Day 2 during the week of November 6th	• Initial interviews with senior executives[1] to understand broad strategic context of organization and Right Track process	• Executive sense of business strategy, organization design, and Right Track impact on organization • Broad scoping of the post-RT implementation/refinement activities germane to planning remainder of interviews/data gathering • (Initial draft of questions attached)
Prior to next visit	• Finalize detailed interview questions for different stakeholders • Validate questions and sampling approach with study team	• Work with Right Track office to schedule interviews
Potential dates: November 27, 28 December 4, 5 December 7, 8 December 13, 14	• Detailed interviews with RT participants, non-participants, service-line managers, and other related managers[2]	• Details about perceptions of RT process, service-line strategies, implementation processes, and implementation success
Ongoing	• Telephone interviews with key personnel unavailable during visits to Omaha	
January, 2007 (date to be mutually determined)	• Meeting with study team and/or extended stakeholder group to review and discuss implications of findings	
February	• Work with Alegent sponsors to determine a publication strategy	

[1] Initial interview sample includes as many of the following as possible: [List of executives and physicians]

[2] Interview sample for detailed background information includes: [List of executives, managers, and other roles expected to be important.]

Shortly thereafter, the Right Track director sent the following email:

> CEO Researchers,
>
> Thanks for this added info. I, along with one of my staff members, have taken this along with all the documentation you have sent me to date and have attempted to create one cohesive document that can serve as the contract, statement of work, action plan, cost estimate, etc... This document is attached for your review.
>
> I have also tried to answer some of the outstanding questions we have had in this document and have tried to further narrow the onsite dates and activities to include the interview list and the two questions you mentioned below. On your questions I think the two-year window is appropriate and I preferred option 2 which is incorporated in the attached.
>
> Please review this latest document and provide any feedback and/or changes you might have to us all. I will be out of town for a few days but my staff can keep the process moving through Legal and the CIO's office in my absence. I can also be reached via cell phone through the rest of the week as needed. Thanks.

The attachment referred to in the Right Track director's email was a standard, corporate consulting contract, with the researchers' proposal and revised schedule attached as the scope of work. Within the standard contract was a paragraph noting that all surveys, data, and documents created during the project would become the exclusive property of the Alegent Health corporation. The paragraph directly contradicted the confidentiality statement in the researchers' proposal. A number of conversations among the consultants, the researchers, and the different Alegent departments ensued. Eventually, a paragraph was written that was satisfactory to all parties and allowed for the researchers to use the data in their publications, but also gave Alegent the right to review, edit, and approve any articles, chapters, or descriptions of the organization change effort.

Project Scheduling Process

The project scheduling process—which was done in parallel with the formal contracting process described above—involved working with the Right Track office to pick dates, schedule interviews, communicate with interviewees, and set up other logistical requirements to begin the study. Following a few introductory emails, and based on the CIO's interest in beginning in October, the researchers sent the following message in early September:

> Hi Right Track Director:
>
> With the CIO's approval, we're ready to begin the Right Track assessment project. The consultants and the researchers are very excited about the effort. We need your help to set up the first couple of days in October, ideally on the 17th and 18th.
>
> On the 17th, we'd like to have a meeting of the "study team." This can be in the morning or afternoon, whichever best fits into the CIO's schedule.
>
> The balance of the 17th and all day on the 18th should be 60-minute interviews with the senior leadership of Alegent. Based on our discussions with the consultants and the CIO, the list for the initial round of interviews would be 10 to 12 of the following people:
>
> [List of top 15 executives and 7 key physicians]
>
> Thanks for your help.

In response, the Right Track director sent back the following email:

> CEO Researchers:
>
> Welcome aboard and looking forward to working with you on this effort. Is there a specific reason you are targeting 10/17 & 18? I ask because there is a DA scheduled those two days that some of these folks are suppose to be in and that I will be helping to support. It is actually an external group, namely the Boy Scouts. Are you planning to come that week because of that or is this just a coincidence? My contact info is enclosed. Thanks.

Thus, there was some initial confusion on the start date of the project, and subsequent phone calls and emails clarified that starting the project in November would be a better fit for the Alegent organization. Some initial dates that fit in the researchers' schedule were not good for the Alegent executives and physicians, while dates that were good for Alegent didn't fit with the researchers' schedule.

Eventually, the beginning of the project was pushed back to early December, and the researchers flew to Omaha to begin the interviewing process. In the rush to schedule interviews, make travel arrangements, and finalize the interview questions and survey items, the meeting of the "study team" was over looked.

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effectiveness and the request for help may seem to the client like an admission that they are incapable of solving the problem or providing the leadership necessary to achieve a set of results. Moreover, they are entering into a relationship where they may feel unable to control the activities of the OD practitioner. As a result, they feel vulnerable because of their dependency on the practitioner to provide assistance. Consciously or unconsciously, feelings of exposure, inadequacy, or vulnerability may lead the client to resist coming to closure on the contract. The OD practitioner must be alert to the signs of resistance, such as asking for extraordinary amounts of detail, and be able to address them skillfully.

On the other hand, the OD practitioner may have feelings of empathy, unworthiness, and dependency. The practitioner may overidentify with the client's issues and want to be so helpful that he or she agrees to unreasonable deadlines or inadequate resources. The practitioner's desire to be seen as competent and worthy may lead to an agreement on a project for which the practitioner has few skills or experience. Finally, in response to reasonable client requests, the practitioner may challenge the client's motivation and become defensive. Schein notes that OD practitioners too often underestimate or ignore the power and impact of entry and contracting as an intervention in their own right.[18] With even the simplest request for help, there are a myriad of things the OD practitioner, entering a system for the first time, does not know. Establishing a relationship with a client must be approached carefully; the initial contacts and conversations must represent a model of how the OD process will be conducted. As a result, actually coming to agreement during the contracting phase can be difficult and intense. A number of complex emotional and psychological issues are in play, and OD practitioners must be mindful of their own as well as the client's perspectives. Attending to those issues as well as to the content of the contract will help increase the likelihood of success.

SUMMARY

Entering and contracting constitute the initial activities of the OD process. They set the parameters for the phases of planned change that follow: diagnosing, planning and implementing change, and evaluating and institutionalizing it. Organizational entry involves clarifying the organizational issue or presenting problem, determining the relevant client, and selecting an OD practitioner. Developing an OD contract focuses on making a good decision about whether to proceed and allows both the client and the OD practitioner to clarify expectations about how the change process will unfold. Contracting involves setting mutual expectations, negotiating time and resources, and developing ground rules for working together.

NOTES

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3. S. Gallant and D. Rios, "Entry and Contracting Phase," in *The NTL Handbook of Organization Development and Change*, eds. B. Jones and M. Brazzel (San Francisco: Pfeiffer, 2006); M. Beer, *Organization Change and Development: A Systems View* (Santa Monica, Calif.: Goodyear, 1980); G. Lippitt and R. Lippitt, *The Consulting Process in Action*, 2d ed. (San Diego: University Associates, 1986).

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6. D. Jamieson, "Pre-Launch," in *Practicing Organization Development*, 2d ed., eds. W. Rothwell and R. Sullivan (San Francisco: Pfeiffer, 2005); J. Fordyce and R. Weil, *Managing WITH People*, 2d ed. (Reading, Mass.: Addison-Wesley, 1979).

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15. Block, *Flawless Consulting*.

16. Ibid.

17. Lacey, "Internal Consulting."

18. E. Schein, "Taking Culture Seriously in Organization Development: A New Role for OD" (working paper no. 4287–03, MIT Sloan School of Management, Cambridge, Mass, 2003).

5

Diagnosing Organizations

Diagnosing organizations is the second major phase in the general model of planned change described in Chapter 2 (Figure 2.2). It follows the entering and contracting stage (Chapter 4) and precedes the planning and implementation phase. When done well, diagnosis clearly points the organization and the OD practitioner toward a set of appropriate intervention activities that will improve organization effectiveness.

Diagnosis is the process of understanding a system's current functioning. It involves collecting pertinent information about current operations, analyzing those data, and drawing conclusions for potential change and improvement. Effective diagnosis provides the systematic knowledge of the organization needed to design appropriate interventions. Thus, OD interventions derive from diagnosis and include specific actions intended to improve organizational functioning. (Chapters 12 through 22 present the major interventions used in OD today.)

This chapter is the first of four chapters that describe different aspects of the diagnostic process. This chapter presents a general definition of diagnosis and discusses the need for diagnostic models in guiding the process. Diagnostic models derive from conceptions about how organizations function, and they tell OD practitioners what to look for in diagnosing organizations, departments, groups, or jobs. They serve as a road map for discovering current functioning. A general, comprehensive diagnostic model is presented based on open systems theory. This chapter concludes with a description and application of an organization-level diagnostic model. Chapter 6 describes and applies diagnostic models at the group and job levels. Chapters 7 and 8 complete the diagnostic phase by discussing processes of data collection, analysis, and feedback.

WHAT IS DIAGNOSIS?

Diagnosis is the process of understanding how the organization is currently functioning, and it provides the information necessary to design change interventions. It generally follows from successful entry and contracting, which set the stage for successful diagnosis. Those processes help OD practitioners and client members jointly determine organizational issues to focus on, how to collect and analyze data to understand them, and how to work together to develop action steps from the diagnosis. In another sense, diagnosis is happening all the time. Managers, organization members, and OD practitioners are always trying to understand the drivers of organization effectiveness, and how and why change is proceeding in a particular way.

Unfortunately, the term diagnosis can be misleading when applied to organizations. It suggests a model of organization change analogous to the medical model of diagnosis: An organization (patient) experiencing problems seeks help from an OD practitioner (doctor); the practitioner examines the organization, finds the causes of the problems, and prescribes a solution. Diagnosis in organization development, however, is much more collaborative than such a medical perspective implies and does not accept the implicit assumption that something is wrong with the organization.

First, the values and ethical beliefs that underlie OD suggest that both organization members and change agents should be involved in discovering the determinants of current organization effectiveness. Similarly, both should be involved actively in developing appropriate interventions and implementing them. For example, a manager might seek an OD practitioner's help to reduce absenteeism in his or her department. The manager and an OD consultant jointly might decide to diagnose the cause of the problem by examining company absenteeism records and by interviewing selected employees about possible reasons for absenteeism. Alternatively, they might examine employee loyalty and discover the organizational elements that encourage people to stay. Analysis of those data could uncover determinants of absenteeism or loyalty in the department, thus helping the manager and the OD practitioner jointly to develop an appropriate intervention to address the issue.

Second, the medical model of diagnosis also implies that something is wrong with the patient and that one needs to uncover the cause of the illness. In those cases where organizations do have specific problems, diagnosis can be problem oriented, seeking reasons for the problems. On the other hand, as suggested by the absenteeism example above, the OD practitioner and the client may choose one of the newer views of organization change and frame the issue positively. Additionally, the client and the OD practitioner may be looking for ways to enhance the organization's existing functioning. Many managers involved with OD are not experiencing specific organizational problems. Here, diagnosis is development oriented. It assesses the current functioning of the organization to discover areas for future development. For example, a manager might be interested in using OD to improve a department that already seems to be functioning well. Diagnosis might include an overall assessment of both the task performance capabilities of the department and the impact of the department on its individual members. This process seeks to uncover specific areas for future development of the department's effectiveness.

In organization development, diagnosis is used more broadly than a medical definition would suggest. It is a collaborative process between organization members and the OD consultant to collect pertinent information, analyze it, and draw conclusions for action planning and intervention. Diagnosis may be aimed at uncovering the causes of specific problems, focused on understanding effective processes, or directed at assessing the overall functioning of the organization or department to discover areas for future development. Diagnosis provides a systematic understanding of organizations so that appropriate interventions may be developed for solving problems and enhancing effectiveness.

THE NEED FOR DIAGNOSTIC MODELS

Entry and contracting processes can result in a need to understand either a whole system or some part, process, or feature of the organization. To diagnose an organization, OD practitioners and organization members need to have an idea about what information to collect and analyze. Choices about what to look for invariably depend on how organizations are perceived. Such perceptions can vary from intuitive hunches to scientific explanations of how organizations function. Conceptual frameworks that people use to understand organizations are referred to as "diagnostic models."[1] They describe the relationships among different features of the organization, as well as its context and its effectiveness. As a result, diagnostic models point out what areas to examine and what questions to ask in assessing how an organization is functioning.

However, all models represent simplifications of reality and therefore choose certain features as critical. As discussed in Chapter 2, the positive model of change supports the conclusion that focusing attention on those features, often to the exclusion of others, can result in a biased diagnosis. For example, a diagnostic model that relates team

effectiveness to the handling of interpersonal conflict would lead an OD practitioner to ask questions about relationships among members, decision-making processes, and conflict resolution methods. Although relevant, those questions ignore other group issues such as the composition of skills and knowledge, the complexity of the tasks performed by the group, and member interdependencies. Thus, diagnostic models and processes must be chosen carefully to address the organization's presenting problems as well as to ensure comprehensiveness.

Potential diagnostic models are everywhere. Any collection of concepts and relationships that attempts to represent a system or explain its effectiveness can potentially qualify as a diagnostic model. Major sources of diagnostic models in OD are the thousands of articles and books that discuss, describe, and analyze how organizations function. They provide information about how and why certain organizational systems, processes, or functions are effective. The studies often concern a specific facet of organizational behavior, such as employee stress, leadership, motivation, problem solving, group dynamics, job design, and career development. They also can involve the larger organization and its context, including the environment, strategy, structure, and culture. Diagnostic models can be derived from that information by noting the dimensions or variables that are associated with an organization's effectiveness.

Another source of diagnostic models is OD practitioners' experience in organizations. That field knowledge is a wealth of practical information about how organizations operate. Unfortunately, only a small part of that vast experience has been translated into diagnostic models that represent the professional judgments of people with years of experience in organizational diagnosis. The models generally link diagnosis with specific organizational processes, such as group problem solving, employee motivation, or communication between managers and employees. The models list specific questions for diagnosing such processes.

This chapter presents a general framework for diagnosing organizations rather than trying to cover the range of OD diagnostic models. The framework describes the systems perspective prevalent in OD today and integrates several of the more popular diagnostic models. The systems model provides a useful starting point for diagnosing organizations or departments. (Additional diagnostic models that are linked to specific OD interventions are presented in Chapters 12 through 22).

OPEN SYSTEMS MODEL

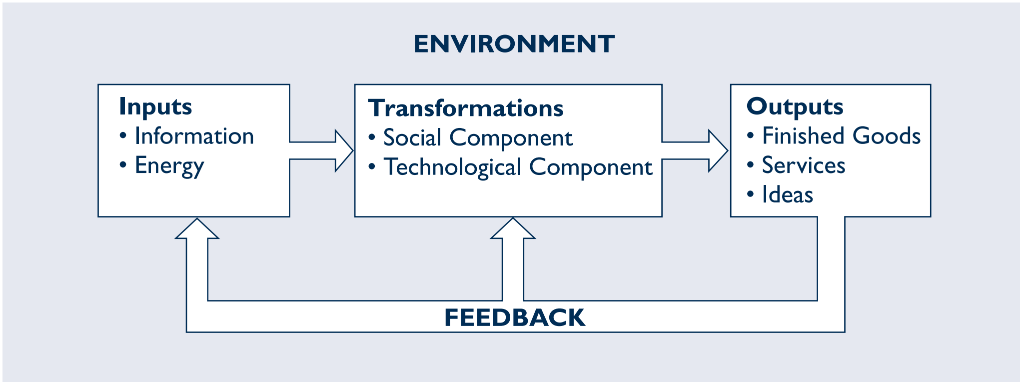
This section introduces systems theory, a set of concepts and relationships describing the properties and behaviors of things called systems—organizations, groups, and people, for example. Systems are viewed as unitary wholes composed of parts or subsystems; the system serves to integrate the parts into a functioning unit. For example, organization systems are composed of departments, such as sales, operations, and finance. The organization serves to coordinate behaviors of its departments so that they function together in service of a goal or strategy. The general diagnostic model based on systems theory that underlies most of the OD is called the "open systems model."

Organizations as Open Systems

As shown in Figure 5.1, the open systems model recognizes that organizations exist in the context of a larger environment that affects how the organization performs and in turn is affected by how the organization interacts with it. The model suggests that organizations operate within an *external environment*, takes specific *inputs* from the environment, and *transforms* those inputs using social and technical processes. The *outputs* of the transformation process are returned to the environment and can be used as *feedback* to the organization's functioning.

[Figure 5.1]

The Organization as an Open System



The open systems model also suggests that organizations and their subsystems—departments, groups, and individuals—share a number of common features that explain how they are organized and function. For example, open systems display a hierarchical ordering. Each higher level of system is composed of lower-level systems: Systems at the level of society are composed of organizations; organizations comprise are composed of groups (departments); and groups comprise are composed of individuals. Although systems at different levels vary in many ways—in size and complexity, for example—they have a number of common characteristics by virtue of being open systems, and those properties can be applied to systems at any level.

The following open systems properties are described below: environments; inputs, transformations, and outputs; boundaries; feedback; equifinality; and alignment.

Environments Organizational environments are everything beyond the boundaries of the system that can indirectly or directly affect performance and outcomes. Open systems, such as organizations and people, exchange information and resources with their environments. They cannot completely control their own behavior and are influenced in part by external forces. Organizations, for example, are affected by such environmental conditions as the availability of labor and human capital, raw material, customer demands, competition, and government regulations. Understanding how these external forces affect the organization can help explain some of its internal behavior.

Inputs, Transformations, and Outputs Any organizational system is composed of three related parts: inputs, transformations, and outputs. Inputs consist of human resources or other resources, such as information, energy, and materials, coming into the system. Inputs are part of and acquired from the organization's external environment. For example, a manufacturing organization acquires raw materials from an outside supplier. Similarly, a hospital nursing unit acquires information concerning a patient's condition from the attending physician. In each case, the system (organization or nursing unit) obtains resources (raw materials or information) from its external environment.

Transformations are the processes of converting inputs into outputs. In organizations, a production or operations function composed of both social and technological components generally carries out transformations. The social component consists of people and their work relationships, whereas the technological component involves tools, techniques, and methods of production or service delivery. Organizations have developed elaborate mechanisms for transforming incoming resources into goods and services. Banks, for example, transform deposits into mortgage loans and interest income. Schools attempt to transform students into more educated people. Transformation

processes also can take place at the group and individual levels. For example, research and development departments can transform the latest scientific advances into new product ideas, and bank tellers can transform customer requests into valued services.

Outputs are the results of what is transformed by the system and sent to the environment. Thus, inputs that have been transformed represent outputs ready to leave the system. Group health insurance companies receive premiums, healthy and unhealthy individuals, and medical bills; transform them through physician visits and record keeping; and export treated patients and payments to hospitals and physicians.

Boundaries The idea of boundaries helps to distinguish between systems and environments. Closed systems have relatively rigid and impenetrable boundaries, whereas open systems have far more permeable borders. Boundaries—the borders, or limits, of the system—are easily seen in many biological and mechanical systems. Defining the boundaries of social systems is more difficult because there is a continuous inflow and outflow through them. For example, where are the organizational boundaries in the following case? An individual customer installing a wireless home network gets a message that the software is conflicting with another piece of software from the Internet service provider (ISP). The customer calls the network software provider who talks to the ISP technical support people and provides technical support and suggestions that resolve the conflict. The customer feels completely supported by the process and never knew that the network software technical support person he or she was talking to was in India. The continued development of the Internet will continue to challenge the notion of boundaries in open systems.

The definition of a boundary is somewhat arbitrary because a social system has multiple subsystems and the boundary line for one subsystem may not be the same as that for a different subsystem. As with the system itself, arbitrary boundaries may have to be assigned to any social organization, depending on the variable to be stressed. The boundaries used for studying or analyzing leadership, for instance, may be quite different from those used to study intergroup dynamics.

Just as systems can be considered relatively open or closed, the permeability of boundaries also varies from fixed to diffuse. The boundaries of a community's police force are probably far more rigid and sharply defined than those of the community's political parties. Conflict over boundaries is always a potential problem within an organization, just as it is in the world outside the organization.

Feedback As shown in Figure 5.1, feedback is information regarding the actual performance or the output results of the system. Not all such information is feedback, however. Only information used to control the future functioning of the system is considered feedback. Feedback can be used to maintain the system in a steady state (for example, keeping an assembly line running at a certain speed) or to help the organization adapt to changing circumstances. McDonald's, for example, has strict feedback processes to ensure that a meal in one outlet is as similar as possible to a meal in any other outlet. On the other hand, a salesperson in the field may report that sales are not going well and may insist on some organizational change to improve sales. A market research study may lead the marketing department to recommend a change to the organization's advertising campaign.

Equifinality In closed systems, a direct cause-and-effect relationship exists between the initial condition and the final state of the system: When a computer's "on" switch is pushed, the system powers up. Biological and social systems, however, operate quite differently. The idea of equifinality suggests that similar results or outputs may be achieved with different initial conditions and in many different ways. This concept suggests that a manager can use varying degrees of inputs into the organization and can transform them in a variety of ways to obtain satisfactory outputs. Thus, the function

of management is not to seek a single rigid solution but rather to develop a variety of satisfactory options. Systems and contingency theories suggest that there is no universal best way to design an organization. Organizations and departments providing routine services, such as Earthlink's, AOL's, or Microsoft's Internet services, could be designed quite differently and still achieve the same result. Similarly, customer service functions at major retailers, software manufacturers, or airlines could be designed according to similar principles.

Alignment A system's overall effectiveness is partly determined by the extent to which the different subsystems are aligned with each other. This alignment or fit concerns the relationships between the organization and its environment, between inputs and transformations, between transformations and outputs, and among the subsystems of the transformation process. Diagnosticians who view the relationships among the various parts of a system as a whole are taking what is referred to as "a systemic perspective."

Alignment refers to a characteristic of the relationship between two or more parts. It represents the extent to which the features, operations, and characteristics of one system support the effectiveness of another system. Just as the teeth in two wheels of a watch must mesh perfectly for the watch to keep time, so do the parts of an organization need to mesh for it to be effective. For example, General Electric attempts to achieve its goals through a strategy of diversification and a divisional structure that focuses attention and resources on specific businesses such as medical systems, lighting, and consumer electronics. A functional structure would not be a good fit with the strategy because it is more efficient for each division to focus on one product line than for one manufacturing department to try to make CT scanners, light bulbs, and refrigerators. The systemic perspective suggests that diagnosis is the search for misfits among the various parts and subsystems of an organization.

Diagnosing Organizational Systems

When viewed as open systems, organizations can be diagnosed at three levels. The highest level is the overall organization and includes the design of the company's strategy, structure, and processes. Large organization units, such as divisions, subsidiaries, or strategic business units, also can be diagnosed at that level. The next lowest level is the group or department, which includes group design and devices for structuring interactions among members, such as norms and work schedules. The lowest level is the individual position or job. This includes ways in which jobs are designed to elicit required task behaviors.

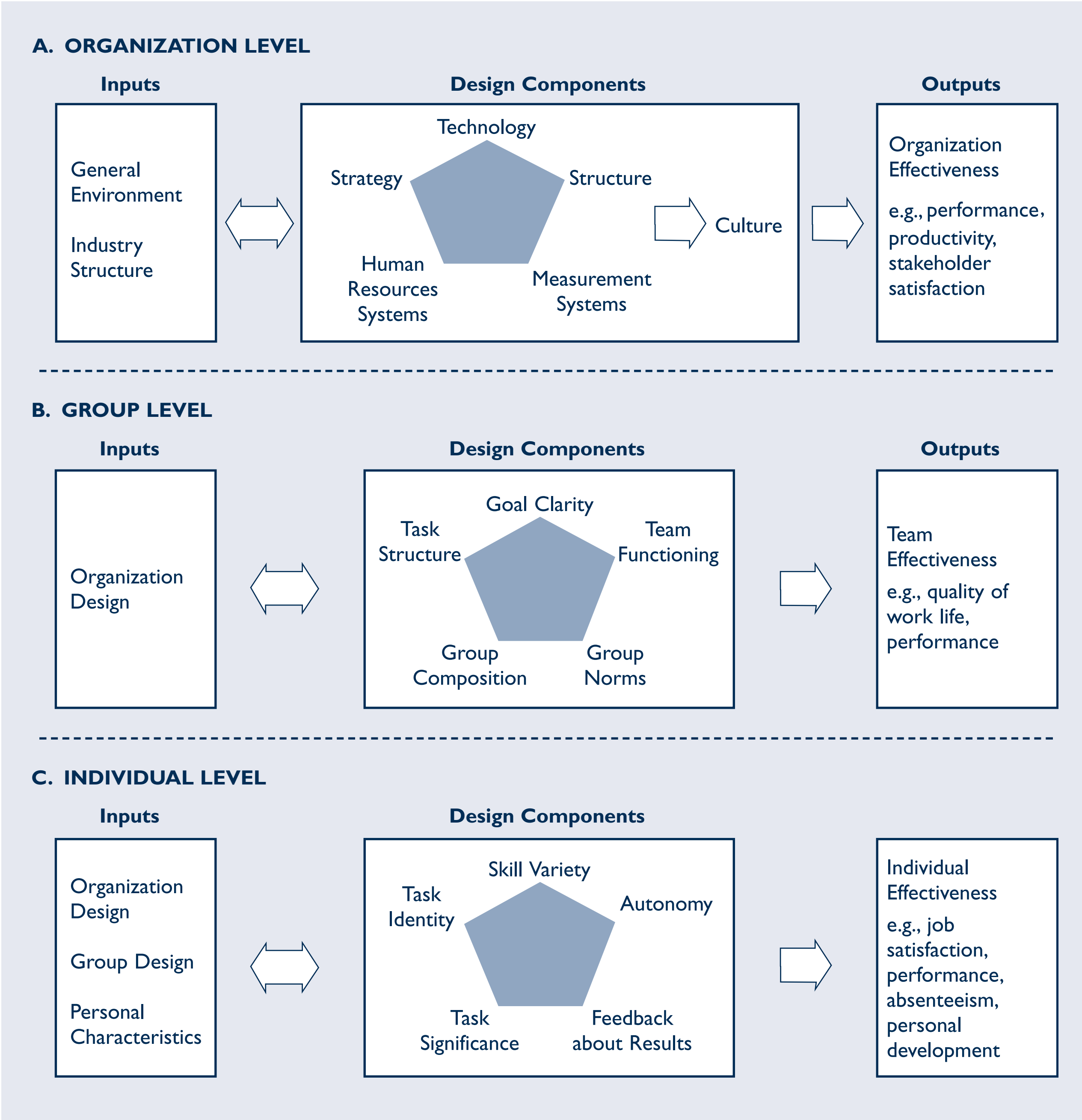
Diagnosis can occur at all three organizational levels, or it may be limited to issues occurring at a particular level. The key to effective diagnosis is knowing what to look for at each level as well as how the levels affect each other.[2] For example, diagnosing a work group requires knowledge of the variables important for group functioning and how the larger organization design affects the group. In fact, a basic understanding of organization-level issues is important in almost any diagnosis because they serve as critical inputs to understanding groups and individuals.

Figure 5.2 presents a comprehensive model for diagnosing these different organizational systems. For each level, it shows (1) the inputs that the system has to work with, (2) the key design components of the transformation subsystem, and (3) the system's outputs.

The relationships shown in Figure 5.2 illustrate how each organization level affects the lower levels. The external environment is the key input to organization design decisions. Organization design is an input to group design, which in turn serves as an input to job design. These cross-level relationships emphasize that organizational levels must fit with each other if the organization is to operate effectively. For example,

[Figure 5.2]

Comprehensive Model for Diagnosing Organizational Systems



organization structure must fit with and support group task design, which in turn must fit with individual job design.

The following discussion on organization-level diagnosis and the discussion in Chapter 6 on group- and job-level diagnosis provide general overviews of the dimensions (and their relationships) that need to be understood at each level. It is beyond the scope of this book to describe in detail the many variables and relationships reported

in the extensive literature on organizations. However, specific diagnostic questions are identified and concrete examples are included as an introduction to this phase of the planned change process.

ORGANIZATION-LEVEL DIAGNOSIS

The organization level of analysis is the broadest systems perspective typically taken in diagnostic activities. The model shown in Figure 5.2(A) is similar to other popular organization-level diagnostic models. These include Weisbord's six-box model,[3] Nadler and Tushman's congruency model,[4] Galbraith's star model,[5] and Kotter's organization dynamics model.[6] Figure 5.2(A) proposes that an organization's transformation processes, or design components, represent the way the organization positions and organizes itself within an environment (inputs) to achieve specific outputs. The combination of design component elements is called a "strategic orientation."[7]

To understand how a total organization functions, it is necessary to examine particular inputs, design components, and the alignment of the two sets of dimensions. Figure 5.2(A) shows that two key inputs affect the way an organization designs its strategic orientation: the general environment and the task environment or industry structure.

Organization Environments and Inputs

At the organization level of analysis, the external environment is the key input. We first describe different types of environments that can affect organizations. Then we identify environmental dimensions that influence organizational responses to external forces.

Environmental Types There are two classes of environments: the general environment and the task environment.[8] We will also describe the enacted environment, which reflects members' perceptions of the general and task environments.

The *general environment* consists of all external forces and elements that can influence an organization and affect its effectiveness.[9] The environment can be described in terms of the amount of uncertainty present in social, technological, economic, ecological, and political/regulatory forces. Each of these forces can affect the organization in both direct and indirect ways. For example, the outbreak of SARS (severe acute respiratory syndrome) directly affected the demand uncertainty for tourism, airline, and other industries in Singapore, Hong Kong, Beijing, and Toronto. Cathay Pacific and Singapore Airlines had to ground much of their fleet as demand plummeted. The general environment also can affect organizations indirectly by virtue of the linkages between external agents. Any business that was dependent on tourism or travel, such as restaurants, hotels, and museums, was also affected by the SARS outbreak. Similarly, an organization may have trouble obtaining raw materials from a supplier because a national union is grieving a management policy, a government regulator is bringing a lawsuit, or a consumer group is boycotting their products. Thus, components of the general environment can affect the organization without having any direct connection to it.

An organization's *task environment* or *industry structure* is another important input into strategic orientation. Michael Porter defines an organization's task environment by five forces: supplier power, buyer power, threats of substitutes, threats of entry, and rivalry among competitors.[10] First, strategic orientations must be sensitive to powerful suppliers who can increase prices (and therefore lower profits) or force the organization to pay more attention to the supplier's needs than to the organization's needs. For example, unions represent powerful suppliers of labor that can affect the costs of any organization within an industry. Second, strategic orientations must be sensitive to powerful buyers. Powerful retailers, such as Wal-Mart and Costco, can force Procter & Gamble, Johnson & Johnson, or other suppliers to lower prices or deliver

their products in particular ways. Third, strategic orientations must be sensitive to the threat of new firms entering into competition. Profits in the restaurant business tend to be low because of the ease of starting a new restaurant. Fourth, strategic orientations must be sensitive to the threat of new products or services that can replace existing offerings. Ice cream producers must carefully monitor their costs and prices because it is easy for a consumer to purchase frozen yogurt or other types of desserts instead. Finally, strategic orientations must be sensitive to rivalry among existing competitors. If many organizations are competing for the same customers, for example, then the strategic orientation must monitor product offerings, costs, and structures carefully if the organization is to survive and prosper. Together, these forces play an important role in determining the success of an organization, whether it is a manufacturing or service firm, a nonprofit organization, or a government agency.

In addition to understanding what inputs are at work, the environment can be understood in terms of its rate of change and complexity.[11] The *rate of change* in an organization's general environment or industry structure can be characterized along a dynamic–static continuum. Dynamic environments change rapidly and unpredictably and suggest that the organization adopt a flexible strategic orientation. Dynamic environments are high in uncertainty compared to static environments that do not change frequently or dramatically. The *complexity* of the environment refers to the number of important elements in the general environment and industry structure. For example, software development organizations face dynamic and complex environments. Not only do technologies, regulations, customers, and suppliers change rapidly, but all of them are important to the firm's survival. On the other hand, manufacturers of glass jars face more stable and less complex environments.

While general environments and task environments describe the specific, objective pressures an organization faces, the organization must first recognize those pressures. The *enacted environment* consists of the organization members' perception and representation of its general and task environments. Weick suggested that environments must be perceived before they can influence decisions about how to respond to them.[12] Organization members must actively observe, register, and make sense of the environment before it can affect their decisions about what actions to take. Thus, only the enacted environment can affect which organizational responses are chosen. The general and task environments, however, can influence whether those responses are successful or ineffective. For example, members may perceive customers as relatively satisfied with their products and may decide to make only token efforts at developing new products. If those perceptions are wrong and customers are dissatisfied with the products, the meager product development efforts can have disastrous organizational consequences. As a result, an organization's enacted environment should accurately reflect its general and task environments if members' decisions and actions are to be effective.

Environmental Dimensions Environments also can be characterized along dimensions that describe the organization's context and influence its responses. One perspective views environments as information flows and suggests that organizations need to process information to discover how to relate to their environments.[13] The key dimension of the environment affecting information processing is *information uncertainty*, or the degree to which environmental information is ambiguous. Organizations seek to remove uncertainty from the environment so that they know best how to transact with it. For example, organizations may try to discern customer needs through focus groups and surveys and attempt to understand competitor strategies through press releases, sales force behaviors, and knowledge of key personnel. The greater the uncertainty, the more information processing is required to learn about the environment. This is particularly evident when environments are complex and rapidly changing. These kinds of environments pose difficult information processing problems for

organizations. For example, global competition, technological change, and financial markets have created highly uncertain and complex environments for many multinational firms and have severely strained their information processing capacity.

Another perspective views environments as consisting of resources for which organizations compete.[14] The key environmental dimension is *resource dependence*, or the degree to which an organization relies on other organizations for resources. Organizations seek to manage critical sources of resource dependence while remaining as autonomous as possible. For example, firms may contract with several suppliers of the same raw material so that they are not overly dependent on one vendor. Resource dependence is extremely high for an organization when other organizations control critical resources that cannot be obtained easily elsewhere. Resource criticality and availability determine the extent to which an organization is dependent on the environment and must respond to its demands. An example is the tight labor market for information systems experts experienced by many firms in the late 1990s.

These two environmental dimensions—information uncertainty and resource dependence—can be combined to show the degree to which organizations are constrained by their environments and consequently must be responsive to their demands.[15] As shown in Figure 5.3 organizations have the most freedom from external forces when information uncertainty and resource dependence are both low. In such situations, organizations do not need to respond to their environments and can behave relatively independently of them. U.S. automotive manufacturers faced these conditions in the 1950s and operated with relatively little external constraint or threat. Organizations are more constrained and must be more responsive to external demands as information uncertainty and resource dependence increase. They must perceive the environment accurately and respond to it appropriately. As described in Chapter 1, organizations such as financial institutions, high-technology firms, and health care facilities are facing unprecedented amounts of environmental uncertainty and resource dependence. Their existence depends on recognizing external challenges and responding quickly and appropriately to them.

Design Components

Figure 5.2(A) shows that a strategic orientation is composed of five major design components—strategy, technology, structure, measurement systems, and human resources systems—and an intermediate output—culture. Effective organizations align their design components to each other and to the environment.

A strategy represents the way an organization uses its resources (human, economic, or technical) to achieve its goals and gain a competitive advantage.[16] It can be described by the organization's mission, goals and objectives, strategic intent, and functional policies. A mission statement describes the long-term purpose of the organization, the range of products or services offered, the markets to be served, and the social needs served by the organization's existence. Goals and objectives are statements that provide explicit direction, set organization priorities, provide guidelines for management decisions, and serve as the cornerstone for organizing activities, designing jobs, and setting standards of achievement. Goals and objectives should set a target of achievement (such as 50% gross margins, an average employee satisfaction score of 4 on a 5-point scale, or some level of productivity); provide a means or system for measuring achievement; and provide a deadline or time frame for accomplishment.[17]

A strategic intent is a succinct label or metaphor that describes how the organization intends to leverage five dimensions of strategy to achieve its goals and objectives. For example, Starbucks' metaphorical strategic intent can be described as "creating great experiences." Great experiences are created combining five points of strategic intent. First, they create great experiences by shifting the *breadth* of coffees, drinks,

[Figure 5.3]

Environmental Dimensions and Organizational Transactions

INFORMATION UNCERTAINTY	RESOURCE DEPENDENCE: Low	RESOURCE DEPENDENCE: High
Low	Minimal environmental constraint and need to be responsive to environment	Moderate constraint and responsiveness to environment
High	Moderate constraint and responsiveness to environment	Maximal environmental constraint and need to be responsive to environment

food, music, and other offerings. Second, they can alter the *aggressiveness* with which they promote themselves or develop new products/services. Third, Starbucks emphasizes certain points of *differentiation*, such as price, quality, service, and surroundings to distinguish themselves from the competition. Fourth, they must *orchestrate* their short-term goals with long-term plans, and finally, they can adjust the *economic logic* they use to generate revenues and hold down costs.[18] Finally, functional policies are the methods, procedures, rules, or administrative practices that guide decision making and convert plans into actions. In the semiconductor business, for example, Intel had a policy of allocating about 30% of revenues to research and development to maintain its lead in microprocessors production.

Technology is concerned with the way an organization converts inputs into products and services. It represents the core transformation process and includes production methods, work flow, and equipment. Automobile companies have traditionally used an assembly line technology to build cars and trucks. Two features of the technological core have been shown to influence other design components: technical interdependence and technical uncertainty.[19] Technical interdependence involves ways in which the different parts of a technological system are related. High interdependence requires considerable coordination among tasks, such as might occur when departments must work together to bring out a new product. Technical uncertainty refers to the amount of information processing and decision making required during task performance. Generally, when tasks require high amounts of information processing and decision making, they are difficult to plan and routinize. The technology of car manufacturing is relatively certain and moderately interdependent. As a result, automobile manufacturers can specify in advance the behaviors workers should exhibit and how their work should be coordinated.

The structural system describes how attention and resources are focused on task accomplishment. It represents the basic organizing mode chosen to (1) divide the overall

work of an organization into subunits that can assign tasks to individuals or groups and (2) coordinate these subunits for completion of the overall work.[20] Structure, therefore, needs to be closely aligned with the organization's technology.

Two ways of determining how an organization divides work are to examine its formal structure or to examine its level of differentiation and integration. Formal structures divide work by function (accounting, sales, or production), by product or service (Chevrolet, Buick, or Pontiac), by customer (large, medium, or small enterprise), or by some combination of both (a matrix composed of functional departments and product groupings). These are described in more detail in Chapter 14. The second way to describe how work is divided is to specify the amount of differentiation and integration there is in a structure. Applied to the total organization, *differentiation* refers to the degree of similarity or difference in the design of two or more subunits or departments.[21] In a highly differentiated organization, there are major differences in design among the departments. Some departments are highly formalized with many rules and regulations, others have few rules and regulations, and still others are moderately formal or flexible.

The way an organization coordinates the work across subunits is called integration. *Integration* is achieved through a variety of lateral mechanisms, such as plans and schedules, budgets, project managers, liaison positions, integrators, cross-departmental task forces, and matrix relationships.[22] The amount of integration required in a structure is a function of (1) the amount of uncertainty in the environment, (2) the level of differentiation in the structure, and (3) the amount of interdependence among departments. As uncertainty, differentiation, and interdependence increase, more sophisticated integration devices are required.

Measurement systems are methods of gathering, assessing, and disseminating information on the activities of groups and individuals in organizations. Such data tell how well the organization is performing and are used to detect and control deviations from goals. Closely related to structural integration, measurement systems monitor organizational operations and feed data about work activities to managers and members so that they can better understand current performance and coordinate work. Effective information and control systems clearly are linked to strategic objectives; provide accurate, understandable, and timely information; are accepted as legitimate by organization members; and produce benefits in excess of their cost.

Human resources systems include mechanisms for selecting, developing, appraising, and rewarding organization members. These influence the mix of skills, personalities, and behaviors of organization members. The strategy and technology provide important information about the skills and knowledge required if the organization is to be successful. Appraisal processes identify whether those skills and knowledge are being applied to the work, and reward systems complete the cycle by recognizing performance that contributes to goal achievement. Reward systems may be tied to measurement systems so that rewards are allocated on the basis of measured results. (Specific human resources systems, such as rewards and career development, are discussed in Chapters 17 and 18.)

Organization culture is the final design component. It represents the basic assumptions, values, and norms shared by organization members.[23] Those cultural elements are generally taken for granted and serve to guide members' perceptions, thoughts, and actions. For example, McDonald's culture emphasizes efficiency, speed, and consistency. It orients employees to company goals and suggests the kinds of behaviors necessary for success. In Figure 5.2(A), culture is shown as an intermediate output from the five other design components because it represents both an outcome and a constraint. It is an outcome of the organization's history and environment[24] as well as of prior choices made about the strategy, technology, structure, measurement systems, and human resources systems. It is also a constraint in that it is more difficult to change than the other components. In that sense, it can either hinder or facilitate

change. In diagnosis, the interest is in understanding the current culture well enough to determine its alignment with the other design factors. Such information may partly explain current outcomes, such as performance or effectiveness. (Culture is discussed in more detail in Chapter 20.)

Outputs

The outputs of a strategic orientation can be classified into three components. First, organization performance refers to financial outputs such as sales, profits, return on investment (ROI), and earnings per share (EPS). For nonprofit and government agencies, performance often refers to the extent to which costs were lowered or budgets met. Second, productivity concerns internal measurements of efficiency, such as sales per employee, waste, error rates, quality, or units produced per hour. Third, stakeholder satisfaction reflects how well the organization has met the expectations of different groups. Customer satisfaction can be measured in terms of market share or focus-group data; employee satisfaction can be measured in terms of an opinion survey; investor satisfaction can be measured in terms of stock price or analyst opinions.

Alignment

The effectiveness of an organization's current strategic orientation requires knowledge of the above information to determine the alignment among the different elements.

1. **Does the organization's strategic orientation fit with the inputs?** For example, the organization's products and services should respond to real needs or demands in the environment. Similarly, the organization should be designed in such a way that it supports general environmental demands, such as operating in an ecologically sustainable manner.
2. **Do the design components fit with each other?** For example, if the elements of the external environment (inputs) are fairly similar in their degree of certainty, then an effective organization structure (design factor) should have a low degree of differentiation. Its departments should be designed similarly because each faces similar environmental demands. On the other hand, if the environment is complex and each element presents different amounts of uncertainty, a more differentiated structure is warranted. Chevron Oil Company's regulatory, ecological, technological, and social environments differ greatly in their amount of uncertainty. The regulatory environment is relatively slow paced and detail oriented. Accordingly, the regulatory affairs function within Chevron is formal and bound by protocol. On the other hand, in the technological environment, new methods for discovering, refining, and distributing oil and oil products are evolving at a rapid pace. Those departments are much more flexible and adaptive, very different from the regulatory affairs function.

Analysis

Application 5.1 describes the Steinway organization and provides an opportunity to perform the following organization-level analysis.[25] A useful starting point is to ask how well the organization is currently functioning. Steinway has excellent market shares in the high-quality segment of the grand piano market, a string of improving financial measures, and strong customer loyalty. However, the data on employee satisfaction are mixed (there are both long-tenured people and an indication that workers are leaving for other jobs), and the financial improvements appear modest when contrasted with the industry averages. Understanding the underlying causes of these effectiveness issues begins with an assessment of the inputs and strategic orientation and then proceeds to an evaluation of the alignments among the different parts. In diagnosing the inputs, two questions are important.

Steinway's Strategic Orientation

Steinway & Sons, which turned 150 years old in April 2003, is generally regarded as the finest piano maker in the world. Founded in 1853 by the Steinway family, the firm was sold to CBS in 1972, taken private in 1985 by John and Robert Birmingham, and sold again in 1995 to Dana Messina and Kyle Kirkland, who took it public in 1996. Steinway & Sons is the piano division of the Steinway Musical Instruments Company that also owns Selmer Instruments and other manufacturers of band instruments (http://www.steinwaymusical.com). Piano sales in 2002 were $169 million, down 7.6% from the prior year and mirroring the general economic downturn. Since going public, Steinway's corporate revenues have grown a compounded 6–7% a year, while EPS have advanced, on average, a compounded 11%. The financial performance for the overall company in 2002 was slightly below industry averages.

The Steinway brand remains one of the company's most valuable assets. The company's president notes that despite only 2% of all keyboard unit sales in the United States, they have 25% of the sales dollars and 35% of the profits. Their market share in the high-end grand piano segment is consistently over 80%. For example, 98% of the piano soloists at 30 of the world's major symphony orchestras chose a Steinway grand during the 2000/2001 concert season. Over 1,300 of the world's top pianists, all of whom own Steinways and perform solely on Steinways, endorse the brand without financial compensation.

Workers at Steinway & Sons manufacturing plants in New York and Germany have been with the company for an average of 15 years, often over 20 or 30 years. Many of Steinway's employees are descendants of parents and grandparents who worked for the company.

The External Environment

The piano market is typically segmented into grand pianos and upright pianos, with the former being a smaller but higher-priced segment. In 1995, about 550,000 upright pianos and 50,000 grand pianos were sold. Piano customers can also be segmented into professional artists, amateur pianists, and institutions such as concert halls, universities, and music schools. The private (home) market accounts for about 90% of the upright piano sales and 80% of the grand piano sales, with the balance being sold to institutional customers. New markets in Asia represent important new growth opportunities.

The piano industry has experienced several important and dramatic changes for such a traditional product. Industry sales, for example, dropped 40% between 1980 and 1995. Whether the decline was the result of increased electronic keyboard sales, a real decline in the total market, or some temporary decline was a matter of debate in the industry. Since then, sales growth has tended to reflect the ups and downs of the global economy.

Competition in the piano industry has also changed. In the United States, several hundred piano makers at the turn of the century had consolidated to eight by 1992. The Baldwin Piano and Organ Company is Steinway's primary U.S. competitor. It offers a full line of pianos under the Baldwin and Wurlitzer brand names through a network of over 700 dealers. In addition to relatively inexpensive upright pianos produced in high-volume plants, Baldwin also makes handcrafted grand pianos that are well respected and endorsed by such artists as Dave Brubeck and Stephen Sondheim, and by the Boston, Chicago, and Philadelphia orchestras. Annual sales are in the $100 million range; Baldwin was recently sold to the Gibson Guitar Company. The European story is similar. Only Bösendorfer of Austria and Fazioli of Italy remain as legitimate Steinway competitors.

Several Asian companies have emerged as important competitors. Yamaha, Kawai, Young Chang, and Samick collectively held about 35% of the vertical piano market and 80% of the grand piano market in terms of units and 75% of global sales in 1995. Yamaha is the world's largest piano manufacturer with sales of over $1 billion and a global market share of about 35%. Yamaha's strategy has been to produce consistent piano quality through continuous improvement. A separate handcrafted concert grand piano operation has also tried to use continuous improvement methods to create consistently high-quality instruments. More than any other high-quality piano manufacturer, Yamaha has been able to emulate and compete with Steinway.

The Steinway Organization

Steinway & Sons offers several different pianos, including two brands (Steinway and the less expensive Boston brand) and both upright and grand piano models. The company handcrafts its grand pianos in New York and Germany, and sells them through more than 200 independent dealers. About half of the dealers are in North and South America and approximately 85% of all Steinway pianos are sold through this network. The company also owns seven retail outlets in New York, New Jersey, London, Munich, Hamburg, and Berlin.

The dealer network is an important part of Steinway's strategy because of its role in the "concert bank" program. Once artists achieve a certain status, they are invited to become part of this elite group. The performer can go to any local dealer, try out different pianos, and pick the one they want to use at a performance for only the cost of bringing the piano to the concert hall. The concert bank contains over 300 pianos in more than 160 cities. In return for the service, Steinway is given exclusive use of the performer's name for publicity purposes.

Creating a Steinway concert grand piano is an art, an intricate and timeless operation (although alternate methods have been created and improved, the basic process hasn't changed much). It requires more than 12,000 mostly handcrafted parts and more than a little magic. The tone, touch, and sound of each instrument is unique, and 120 technical patents and innovations contribute to the Steinway sound. Two years are required to make a Steinway grand as opposed to a mass-produced piano that takes only about 20 days. There are three major steps in the production process: wood drying (which takes about a year), parts making, and piano making.

Wood-drying operations convert moisture-rich lumber into usable raw material through air-drying and computer-controlled kilns. Time is a critical element in this process because slow and natural drying is necessary to ensure the best sound-producing qualities of the wood. Even after all the care of the drying process, the workers reject approximately 50% of the lumber.

After drying, the parts-making operations begin. The first of these operations involves bending of the piano rim (the curved side giving a grand piano its familiar shape). These rims are formed of multiple layers of specially selected maple that are manually forced into a unified shape, held in presses for several hours, and then seasoned for 10 weeks before being joined to other wooden parts. During this time, the sounding board (a specially tapered Alaska Sitka spruce panel placed inside the rim to amplify the sound) and many other case parts are made. The final critical operation with parts making involves the fabrication of the 88 individual piano action sets that exist inside a piano. Piano "actions" are the intricate mechanical assemblies—made almost completely of wood and some felt, metal, and leather—that transmit finger pressure on the piano keys into the force that propels the hammers that strike the strings. The action is a particularly important part of a piano because this mechanical linkage gives Steinways their distinctive feel. In the action department, each operator was responsible for inspecting his or her own work, with all assembled actions further subject to 100% inspection.

Piano-making operations include "bellying," finishing, and tone regulating. The bellying process involves the precise and careful fitting of the soundboard, iron piano plate, and rim to each other. It requires workers to lean their stomachs against the rim of the piano to complete this task. Because of individual variations in material and the high degree of precision required, bellying takes considerable skill and requires several hours per piano. After the bellying operations, pianos are strung and moved to the finishing department. During finishing, actions and keyboards are individually fit to each instrument to accommodate differences in materials and tolerances to produce a working instrument. The final piano-making step involves tone regulating. Here, the pianos are "voiced" for Steinway sound. Unlike tuning, which involves the loosening and tightening of strings, voicing requires careful adjustments to the felt surrounding the hammers that strike the strings. This operation is extremely delicate and is performed by only a small handful of tone regulators. The tone regulators at Steinway are widely considered to be among the most skilled artisans in the factory. Their voicing of a concert grand can take as much as 20 to 30 hours. All tone regulators at Steinway have worked for the company in various other positions before reaching their present posts, and several have more than 20 years with the firm. Finally, after tone regulation, all pianos are polished, cleaned, and inspected one last time before packing and shipment.

Steinway produced more than 3,500 pianos in 2002 at its New York and Hamburg, Germany, plants.

Almost 430 people work in the New York plant and all but about 100 of them work in production. They are represented by the United Furniture Worker's union. Seventy-five percent of the workers are paid on a straight-time basis; the remainder, primarily artisans, are paid on piece rates. Keeping workers has proved increasingly difficult as well-trained Steinway craftspeople are coveted by other manufacturers, and many of the workers could easily set up their own shop to repair or rebuild older Steinway pianos. Excess inventories due to weak sales both pre- and post-September 11 forced Steinway to adjust its production schedule; workers in its New York plant reported to work every other week rather than lay off the highly skilled workers needed to build its pianos.

1. **What is the company's general environment?** Steinway's external environment is only moderately uncertain and not very complex. Socially, Steinway is an important part of a country's artistic culture and the fine arts. It must be aware of fickle trends in music and display an appropriate sensitivity to them. Politically, the organization operates on a global basis and so must be attuned to different governmental and country requirements in its distribution and sales networks. The manufacturing plant in Hamburg, Germany, suggests an important political dependency that must be monitored. Technologically, Steinway appears reasonably concerned about the latest breakthroughs in piano design, materials, and construction. They are aware of alternative technologies, such as the assembly line process at Yamaha, but prefer the classic methods they have always used. Ecologically, Steinway must be mindful. Their product requires lumber and they are very picky (some would say wasteful) about the choices, rejecting many pieces. It is likely that environmentalists would express concern over how Steinway uses this natural resource. Together, these environmental forces paint a relatively moderate level of uncertainty. Most of these issues are knowable and can be forecast with some confidence. In addition, while there are several environmental elements that need to be addressed, not all of them are vitally important. The environment is not very complex.
2. **What is the company's task environment?** Steinway's industry is moderately competitive and profit pressures can be mapped by looking at five key forces. First, the threat of entry is fairly low. There are some important barriers to cross if an organization wanted to get into the piano business. For example, Steinway, Yamaha, and Baldwin have very strong brands and dealer networks. Any new entrant would need to overcome these strong images to get people to buy their product. Second, the threat of substitute products is moderate. On the one hand, electronic keyboards have made important advances and represent an inexpensive alternative to grand and upright pianos. On the other hand, the sophisticated nature of many of the artists and audiences suggests that there are not many substitutes for a concert grand piano. Third, the bargaining power of suppliers, such as providers of labor and raw materials, is high. The labor union has effective control over the much-sought-after craft workers who manufacture and assemble grand pianos. Given the relatively difficult time that most high-end piano manufacturers have in holding onto these highly trained employees, the

organization must expend considerable resources to retain them. Similarly, given the critical nature of wood to the final product, lumber suppliers can probably exert significant influence. Fourth, the bargaining power of buyers varies by segment. In the high-end segment, the number of buyers is relatively small and sophisticated, and the small number of high-quality pianos means that customers can put pressure on prices although they are clearly willing and able to pay more for quality. In the middle and lower segments, the number of buyers is much larger and fragmented. It is unlikely that they could collectively exert influence over price. Finally, the rivalry among firms is severe. A number of well-known and well-funded domestic and international competitors exist. Almost all of them have adopted marketing and manufacturing tactics similar to Steinway's in the high-end segment, and they are competing for the same customers. The extensive resources available to Yamaha as a member of their *keiretsu*, for example, suggest that it is a strong and long-term competitor that will work hard to unseat Steinway from its position. Thus, powerful buyers and suppliers as well as keen competition make the piano industry only moderately attractive and represent the key sources of uncertainty.

The following questions are important in assessing Steinway's strategic orientation:

1. **What is the company's strategy?** Steinway's primary strategy is a sophisticated niche and differentiation strategy. They attempt to meet their financial and other objectives by offering a unique and high-quality product to sophisticated artists. However, its product line does blur the strategy's focus. With both Boston and Steinway brands and both upright and grand models, a question about Steinway's commitment to the niche strategy could be raised. No formal mission or goals are mentioned in the case and this makes it somewhat difficult to judge the effectiveness of the strategy. But it seems reasonable to assume a clear intent to maintain its dominance in the high-end segment. However, with new owners in 1995, it is also reasonable to question whether goals of profitability or revenue growth, implying very different tactics, have been sorted out.
2. **What are the company's technology, structure, measurement systems, and human resources systems?** First, Steinway's core technology is highly uncertain and moderately interdependent. The manufacturing process is craft based and dependent on the nature of the materials. Each piano is built and adjusted with the specific characteristics of the wood in mind. So much so that each piano has a different sound that is produced as a result of the manufacturing process. The technology is moderately interdependent because the major steps in the process are not linked in time. Making the "action sets" is independent of the "bellying" process, for example. Similarly, the key marketing program, the concert bank, is independent of manufacturing. Second, the corporate organization is divisional (pianos and band instruments), while the piano subsidiary appears to have a functional structure. The key functions are manufacturing, distribution, and sales. A procurement, finance, and human resources group is also reasonable to assume. Third, formal measurement systems within the production process are clearly present. There are specific mentions of inspections by both the worker and the organization. For example, 100% inspection (as opposed to statistical sampling) costs time and manpower and no doubt is seen as critical to quality. In addition, there must be some system of keeping track of work-in-progress, finished goods, and concert bank system inventories. Fourth, the human resources system is highly developed. The reward system includes both hourly and piece rate processes; the union relationships; worker retention programs; and global hiring, compensation, benefits, and training programs.

3. **What is Steinway's culture?** While there is little specific information, Steinway's culture can be inferred. The dominant focus on the high-end segment, the craft nature of the production process, the importance of the concert bank program, and the long history of family influence all point to culture of quality, craftsmanship, and responsiveness. These values are manifest in the way the organization chooses its raw materials, the way it caters to its prized customers, the care in the production process, and the image it works to retain.

Now that the organization inputs, design components, and outputs have been assessed, it is time to ask the crucial question about how well they fit together. The first concern is the fit between the environmental inputs and the strategic orientation. The moderate complexity and uncertainty in the general environment argue for a strategy that is flexible enough to address the few critical dependencies but formal enough to control. Its focus on the high-end segment of the industry and the moderate breadth in its product line support this flexibility. On the one hand, the flexible and responsive manufacturing process supports and defends its preeminence as the top grand piano in the world. On the other hand, this also mitigates the powerful buyer forces in this segment. Its moderate product line breadth gives it some flexibility and efficiency as well. It can achieve some production efficiencies in the upright and medium-market grand piano segments, and its brand image helps in marketing these products. The alignment between its strategic orientation and its environment appears sound.

The second concern is the alignment of the design components. With respect to strategy, the individual elements of Steinway's strategy are mostly aligned. Steinway clearly intends to differentiate its product by serving the high-end segment with unique high-quality pianos. But a broad product line (both uprights and grands as well as two brand names) could dilute the focus. The market for higher-priced and more specialized concert grands is much smaller than the market for moderately priced uprights and limits the growth potential of sales unless Steinway wants to compete vigorously in the emerging Asian markets where the Asian companies have a proximity advantage. That hypothesis is supported by the lack of clear goals in general and policies that support neither growth nor profitability. However, there appears to be a good fit between strategy and the other design components. The differentiated strategic intent requires technologies, structures, and systems that focus on creating sophisticated and unique products, specialized marketing and distribution, and the concert bank program. The flexible structure, formal inspection systems, and responsive culture would seem well suited for that purpose.

The technology appears well supported and aligned with the structure. The production process is craft based and deliberately ambiguous. The functional structure promotes specialization and professionalization of skills and knowledge. Specific tasks that require flexibility and adaptability from the organization are given a wide berth. Although a divisional structure overlays Steinway's corporate activities, the piano division's structure is functional but not rigid, and there appears to be a cultural willingness to be responsive to the craft and the artists they serve. In addition, the concert bank program is important for two reasons. First, it builds loyalty into the customer and ensures future demand. Second, it is a natural source of feedback on the instruments themselves, keeping the organization close to the artist's demands and emerging trends in sound preferences. Finally, the well-developed human resources system supports the responsive production and marketing functions as well as the global nature of the enterprise.

Steinway's culture of quality and responsiveness promotes coordination among the production tasks, serves as a method for socializing and developing people, and establishes methods for moving information around the organization. Clearly, any change effort at Steinway will have to acknowledge this role and design an intervention

accordingly. The strong culture will either sabotage or facilitate change depending on how the change process aligns with the culture's impact on individual behavior.

Based on this diagnosis of the Steinway organization, at least two intervention possibilities are suggested. First, in collaboration with the client, the OD practitioner could suggest increasing Steinway's clarity about its strategy. In this intervention, the practitioner would want to talk about formalizing—rather than changing—Steinway's strategy because the culture would resist such an attempt. However, there are some clear advantages to be gained from a clearer sense of Steinway's future goals, its businesses, and the relationships among them. Second, Steinway could focus on increasing the integration and coordination of its structure, measurement systems, and human resources systems. The difficulty of retaining key production personnel warrants continuously improved retention systems as well as efforts to codify and retain key production knowledge in case workers do leave. This would apply to the marketing and distribution functions as well since they control an important interface with the customer.

SUMMARY

This chapter presented background information for diagnosing organizations, groups, and individual jobs. Diagnosis is a collaborative process, involving both managers and consultants in collecting pertinent data, analyzing them, and drawing conclusions for action planning and intervention. Diagnosis may be aimed at discovering the causes of specific problems, or it may be directed at assessing the organization or department to find areas for future development. Diagnosis provides the necessary practical understanding to devise interventions for solving problems and improving organization effectiveness.

Diagnosis is based on conceptual frameworks about how organizations function. Such diagnostic models serve as road maps by identifying areas to examine and questions to ask in determining how an organization or department is operating.

The comprehensive model presented here views organizations as open systems. The organization serves to coordinate the behaviors of its departments. It is open to exchanges with the larger environment and is influenced by external forces. As open systems, organizations are hierarchically ordered; that is, they are composed of groups, which in turn are composed of individual jobs. Organizations also display six key open systems properties: environments; inputs, transformations, and outputs; boundaries; feedback; equifinality; and alignment.

An organization-level diagnostic model was described and applied. It consists of environmental inputs; a set of design components called a strategic orientation; and a variety of outputs, such as performance, productivity, and stakeholder satisfaction. Diagnosis involves understanding each of the parts in the model and then assessing how the elements of the strategic orientation align with each other and with the inputs. Organization effectiveness is likely to be high when there is good alignment.

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6

Diagnosing Groups and Jobs

Chapter 5 introduced diagnosis as the second major phase in the general model of planned change. Based on open systems theory, a comprehensive diagnostic framework for organization-, group-, and job-level systems was described. The organization-level diagnostic model was elaborated and applied. After the organization level, the next two levels of diagnosis are the group and job. Many large organizations have groups or departments that are themselves relatively large, like the operating divisions at Viacom, Akzo-Nobel, or United Technologies. Diagnosis of large groups can follow the dimensions and relational fits applicable to organization-level diagnoses. In essence, large groups or departments operate much like organizations, and their functioning can be assessed by diagnosing them as organizations.

Small departments and groups, however, can behave differently from large organizations; they need their own diagnostic models to reflect those differences. In the first section of this chapter, we discuss the diagnosis of work groups. Such groups generally consist of a relatively small number of people working face-to-face on a shared task. Work groups are prevalent in all sizes of organizations. They can be relatively permanent and perform an ongoing function, or they can be temporary and exist only to perform a certain task or to make a specific decision.

Finally, we describe and apply a diagnostic model of an individual job—the smallest unit of analysis in organizations. An individual job is constructed to perform a specific task or set of tasks. How jobs are designed can affect individual and organizational effectiveness.

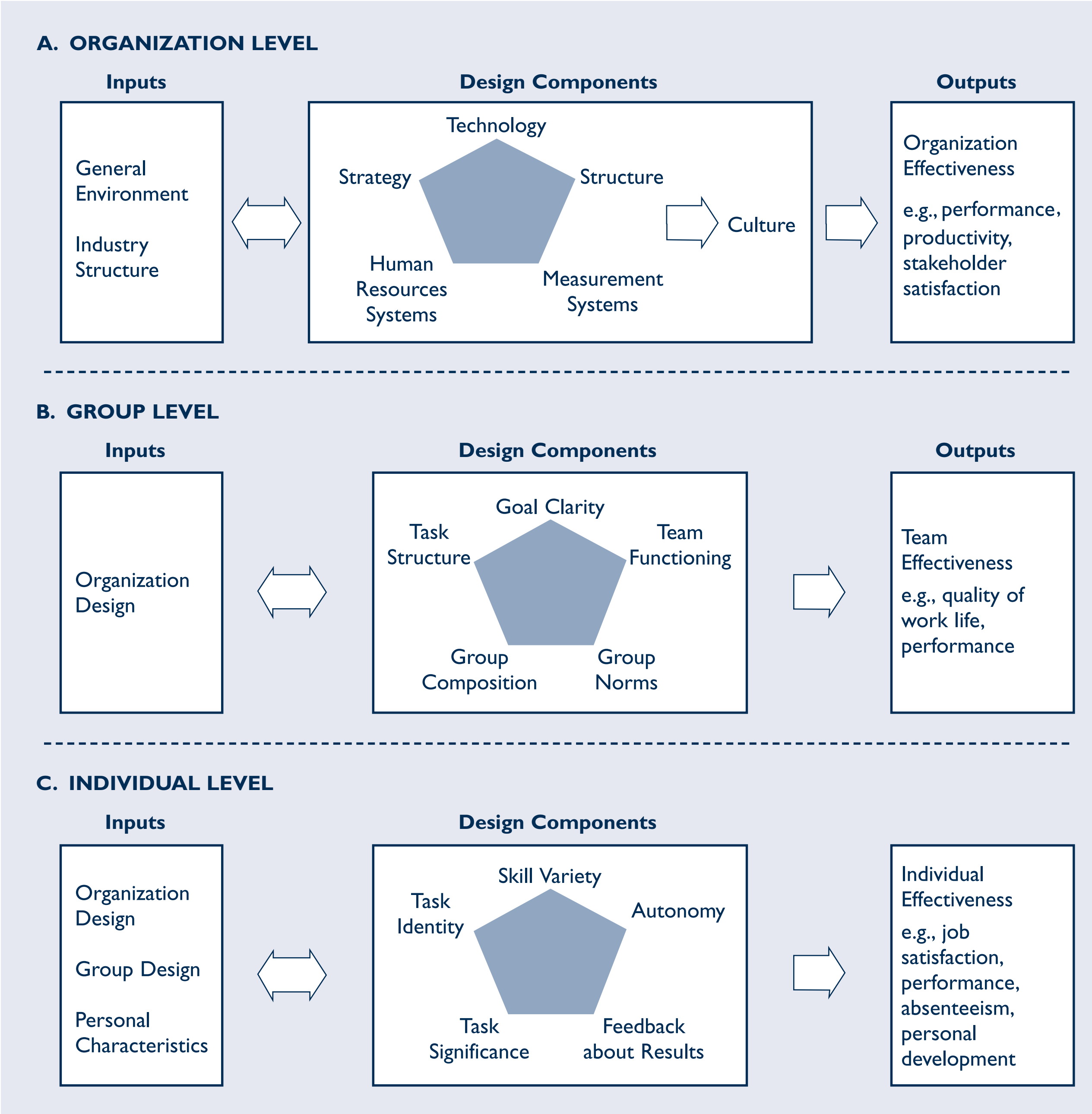
GROUP-LEVEL DIAGNOSIS

Figure 6.1 replicates the comprehensive model introduced in Chapter 5 but highlights the group and individual-level models. It shows the inputs, design components, outputs, and relational fits for group-level diagnosis. The model is similar to other popular group-level diagnostic models such as Hackman and Morris's task group design model,[1] McCaskey's framework for analyzing groups,[2] and Ledford, Lawler, and Mohrman's participation group design model.[3]

Inputs

Organization design is clearly the major input to group design. It consists of the design components characterizing the larger organization within which the group is embedded: technology, structure, measurement systems, and human resources systems, as well as organization culture. Technology can determine the characteristics of the group's task; structural systems can specify the level of coordination required among groups. The human resources and measurement systems, such as performance appraisal and reward systems, play an important role in determining team functioning.[4] For example, individual-based, forced ranking performance appraisal and reward systems tend to interfere with team functioning because members may be concerned with maximizing their individual performance to the detriment of team performance. Collecting information about the group's organization design context can greatly improve the accuracy of diagnosis.

[Figure 6.1]
Comprehensive Model for Diagnosing Organizational Systems



Design Components

Figure 6.1(B) shows that groups have five major components: goal clarity, task structure, group composition, team functioning, and performance norms.

Goal clarity involves how well the group understands its objectives. In general, goals should be moderately challenging; there should be a method for measuring,

monitoring, and feeding back information about goal achievement; and the goals should be clearly understood by all members.

Task structure is concerned with how the group's work is designed. Task structures can vary along two key dimensions: coordination of members' efforts and regulation of their task behaviors.[5] The coordination dimension involves the degree to which group tasks are structured to promote effective interaction among group members. Coordination is important in groups performing interdependent tasks, such as surgical teams and problem-solving groups. It is relatively unimportant, however, in groups composed of members who perform independent tasks, such as a group of telephone operators or salespeople. The regulation dimension involves the degree to which members can control their own task behaviors and be relatively free from external controls such as supervision, plans, and programs. Self-regulation generally occurs when members can decide on such issues as task assignments, work methods, production goals, and membership. (Interventions for designing group task structure are discussed in Chapter 16.)

Group composition concerns the membership of groups. Members can differ on a number of dimensions having relevance to group behavior. Demographic variables, such as age, education, experience, and skills and abilities, can affect how people behave and relate to each other in groups. Demographics can determine whether the group is composed of people having task-relevant skills and knowledge, including interpersonal skills. People's internal needs also can influence group behaviors. Individual differences in social needs can determine whether group membership is likely to be satisfying or stressful.[6]

Team functioning is the underlying basis of group life. How members relate to each other is important in work groups because the quality of relationships can affect task performance. In some groups, for example, interpersonal competition and conflict among members result in their providing little support and help for each other. Conversely, groups may become too concerned about sharing good feelings and support and spend too little time on task performance. In organization development, considerable effort has been invested in helping work group members develop healthy interpersonal relations, including an ability and a willingness to share feelings and perceptions about members' behaviors so that interpersonal problems and task difficulties can be worked through and resolved.[7] Group functioning, therefore, involves task-related activities, such as advocacy and inquiry; coordinating and evaluating activities; and the group maintenance function, which is directed toward holding the group together as a cohesive team and includes encouraging, harmonizing, compromising, setting standards, and observing.[8] (Interpersonal interventions are discussed in Chapter 12.)

Performance norms are member beliefs about how the group should perform its task and include acceptable levels of performance.[9] Norms derive from interactions among members and serve as guides to group behavior. Once members agree on performance norms, either implicitly or explicitly, then members routinely perform tasks according to those norms. For example, members of problem-solving groups often decide early in the life of the group that decisions will be made through voting; voting then becomes a routine part of group task behavior. (Interventions aimed at helping groups to develop appropriate performance norms are discussed in Chapter 12.)

Outputs

Group effectiveness has two dimensions: performance and quality of work life. Performance is measured in terms of the group's ability to control or reduce costs, increase productivity, or improve quality. This is a "hard" measure of effectiveness. In addition, effectiveness is indicated by the group member's quality of work life. It concerns work satisfaction, team cohesion, and organizational commitment.

Fits

The diagnostic model in Figure 6.1(B) shows that group design components must fit inputs if groups are to be effective in terms of performance and the quality of work life. Research suggests the following fits between the inputs and design dimensions:

1. Group design should be congruent with the larger organization design. Organization structures with low differentiation and high integration should have work groups that are composed of highly skilled and experienced members performing highly interdependent tasks. Organizations with differentiated structures and formalized human resources and information systems should spawn groups that have clear, quantitative goals and that support standardized behaviors. Although there is little direct research on these fits, the underlying rationale is that congruence between organization and group designs supports overall integration within the company. When group designs are not compatible with organization designs, groups often conflict with the organization.[10] They may develop norms that run counter to organizational effectiveness, such as occurs in groups supportive of horseplay, goldbricking, and other counterproductive behaviors.
2. When the organization's technology results in interdependent tasks, coordination among members should be promoted by goal clarity, task structure, group composition, performance norms, and team functioning. Conversely, when technology permits independent tasks, the design components should promote individual task performance.[11] For example, when coordination is needed, task structure might physically locate related tasks together; group composition might include members with similar interpersonal skills and social needs; performance norms would support task-relevant interactions; and healthy interpersonal relationships would be developed.
3. When the technology is relatively uncertain and requires high amounts of information processing and decision making, then task structure, group composition, performance norms, and team functioning should promote self-regulation. Members should have the necessary freedom, information, and skills to assign members to appropriate tasks, to decide on production methods, and to set performance goals.[12] When technology is relatively certain, group designs should promote standardization of behavior, and groups should be externally controlled by supervisors, schedules, and plans.[13] For example, when self-regulation is needed, task structure might be relatively flexible and allow the interchange of members across group tasks; composition might include members with multiple skills, interpersonal competencies, and social needs; performance norms would support complex problem solving; and efforts would be made to develop healthy interpersonal relations.

Analysis

Application 6.1 presents an example of applying group-level diagnosis to a top-management team engaged in problem solving.

The group is having a series of ineffective problem-solving meetings. Members report a backlog of unresolved issues, poor use of meeting time, lack of follow-through and decision implementation, and a general dissatisfaction with the team meetings. Examining group inputs and design components and seeing how the two fit can help explain the causes of those group problems.

The key issue in diagnosing group inputs is the design of the larger organization within which the group is embedded. The Ortiv Glass Corporation's design is relatively differentiated. Each plant is allowed to set up its own organization design. Similarly, although no specific data are given, the company's technology, structure, measurement systems, human resources systems, and culture appear to promote flexible and innovative behaviors at the plant level. Indeed, freedom to innovate in the manufacturing plants is probably an outgrowth of the firm's OD activities and participative culture.

Top-Management Team at Ortiv Glass Corporation

The Ortiv Glass Corporation produces and markets plate glass for use primarily in the construction and automotive industries. The multiplant company has been involved in OD for several years and actively supports participative management practices and employee involvement programs. Ortiv's organization design is relatively organic, and the manufacturing plants are given freedom and encouragement to develop their own organization designs and approaches to participative management. It recently put together a problem-solving group made up of the top-management team at its newest plant.

The team consisted of the plant manager and the managers of the five functional departments reporting to him: engineering (maintenance), administration, human resources, production, and quality control. In recruiting managers for the new plant, the company selected people with good technical skills and experience in their respective functions. It also chose people with some managerial experience and a desire to solve problems collaboratively, a hallmark of participative management. The team was relatively new, and members had been working together for only about five months.

The team met formally for two hours each week to share pertinent information and to deal with plantwide issues affecting all of the departments, such as safety procedures, interdepartmental relations, and personnel practices. Members described these meetings as informative but often chaotic in terms of decision making. The meetings typically started late as members straggled in at different times. The latecomers generally offered excuses about more pressing problems occurring elsewhere in the plant. Once started, the meetings were often interrupted by "urgent" phone messages for various members, including the plant manager, and in most cases the recipient would leave the meeting hurriedly to respond to the call.

The group had problems arriving at clear decisions on particular issues. Discussions often rambled from topic to topic, and members tended to postpone the resolution of problems to future meetings. This led to a backlog of unresolved issues, and meetings often lasted far beyond the two-hour limit. When group decisions were made, members often reported problems in their implementation. Members typically failed to follow through on agreements, and there was often confusion about what had actually been agreed upon. Everyone expressed dissatisfaction with the team meetings and their results.

Relationships among team members were cordial yet somewhat strained, especially when the team was dealing with complex issues in which members had varying opinions and interests. Although the plant manager publicly stated that he wanted to hear all sides of the issues, he often interrupted the discussion or attempted to change the topic when members openly disagreed in their views of the problem. This interruption was typically followed by an awkward silence in the group. In many instances, when a solution to a pressing problem did not appear forthcoming, members either moved on to another issue or they informally voted on proposed options, letting majority rule decide the outcome. Members rarely discussed the need to move on or vote; rather, these behaviors emerged informally over time and became acceptable ways of dealing with difficult issues.

In the case of decision-making groups such as this one, organization design also affects the nature of the issues that are worked on. The team meetings appear to be devoted to problems affecting all of the functional departments. This suggests that the problems entail high interdependence among the functions; consequently, high coordination among members is needed to resolve them. The team meetings also seem to include many issues that are complex and not easily solved, so there is probably a relatively high amount of uncertainty in the technology or work process. The causes of the problems or acceptable solutions are not readily discernible. Members must process considerable information during problem solving, especially when there are different perceptions and opinions about the issues.

Diagnosis of the team's design components answers the following questions:

1. **How clear are the group's goals?** The team's goals seem relatively clear; they are to solve problems. There appears to be no clear agreement, however, on the specific problems to be addressed. As a result, members come late because they have "more pressing" problems needing attention.
2. **What is the group's task structure?** The team's task structure includes face-to-face interaction during the weekly meetings. That structure allows members from different functional departments to come together physically to share information and to solve problems mutually affecting them. It facilitates coordination of problem solving among the departments in the plant. The structure also seems to provide team members with the freedom necessary to regulate their task behaviors in the meetings. They can adjust their behaviors and interactions to suit the flow of the discussion and problem-solving process.
3. **What is the composition of the group?** The team is composed of the plant manager and managers of five functional departments. All members appear to have task-relevant skills and experience, both in their respective functions and in their managerial roles. They also seem to be interested in solving problems collaboratively. That shared interest suggests that members have job-related social needs and should feel relatively comfortable in group problem-solving situations.
4. **What are the group's performance norms?** Group norms cannot be observed directly but must be inferred from group behaviors. The norms involve member beliefs about how the group should perform its task, including acceptable levels of performance. A useful way to describe norms is to list specific behaviors that complete the sentences "A good group member should ..." and "It's okay to...." Examination of the team's problem-solving behaviors suggests the following performance norms are operating in the example:
   - "It's okay to come late to team meetings."
   - "It's okay to interrupt meetings with phone messages."
   - "It's okay to leave meetings to respond to phone messages."
   - "It's okay to hold meetings longer than two hours."
   - "A good group member should not openly disagree with others' views."
   - "It's okay to vote on decisions."
   - "A good group member should be cordial to other members."
   - "It's okay to postpone solutions to immediate problems."
   - "It's okay not to follow through on previous agreements."
5. **What is the nature of team functioning in the group?** The case strongly suggests that interpersonal relations are not healthy on the management team. Members do not seem to confront differences openly. Indeed, the plant manager purposely intervenes when conflicts emerge. Members feel dissatisfied with the meetings, but they spend little time talking about those feelings. Relationships are strained, but members fail to examine the underlying causes.

The problems facing the team can now be explained by assessing how well the group design fits the inputs. The larger organization design of Ortiv is relatively differentiated and promotes flexibility and innovation in its manufacturing plants. The firm supports participative management, and the team meetings can be seen as an attempt to implement that approach at the new plant. Although it is too early to tell whether the team will succeed, there does not appear to be significant incongruity between the larger organization design and what the team is trying to do. Of course, team problem solving may continue to be ineffective, and the team might revert to a more autocratic approach to decision making. In such a case, a serious mismatch between the plant management team and the larger company would exist, and conflict between the two would likely result.

The team's issues are highly interdependent and often uncertain, and meetings are intended to resolve plantwide problems affecting the various functional departments. Those problems are generally complex and require the members to process a great deal of information and create innovative solutions. The team's task structure and composition appear to fit the nature of team issues. The face-to-face meetings help to coordinate problem solving among the department managers, and except for the interpersonal skills, members seem to have the necessary task-relevant skills and experience to drive the problem-solving process. There appears, however, to be a conflict in the priority between the problems to be solved by the team and the problems faced by individual managers.

More important, the key difficulty seems to be a mismatch between the team's performance norms and interpersonal relations and the demands of the problem-solving task. Complex, interdependent problems require performance norms that support sharing of diverse and often conflicting kinds of information. The norms must encourage members to generate novel solutions and to assess the relevance of problem-solving strategies in light of new issues. Members need to address explicitly how they are using their knowledge and skills and how they are weighing and combining members' individual contributions.

In our example, the team's performance norms fail to support complex problem solving; rather, they promote a problem-solving method that is often superficial, haphazard, and subject to external disruptions. Members' interpersonal relationships reinforce adherence to the ineffective norms. Members do not confront personal differences or dissatisfactions with the group process. They fail to examine the very norms contributing to their problems. In this case, diagnosis suggests the need for group interventions aimed at improving performance norms and developing healthy interpersonal relations.

INDIVIDUAL-LEVEL DIAGNOSIS

The final level of organizational diagnosis is the individual job or position. An organization consists of numerous groups; a group, in turn, is composed of several individual jobs. This section discusses the inputs, design components, and relational fits needed for diagnosing jobs. The model shown in Figure 6.1(C) is similar to other popular job diagnostic frameworks, such as Hackman and Oldham's job diagnostic survey and Herzberg's job enrichment model.[14]

Inputs

Three major inputs affect job design: organization design, group design, and the personal characteristics of jobholders.

Organization design is concerned with the larger organization within which the individual job is the smallest unit. Organization design is a key part of the larger context surrounding jobs. Technology, structure, measurement systems, human resources

systems, and culture can have a powerful impact on the way jobs are designed and on people's experiences in jobs. For example, company reward systems can orient employees to particular job behaviors and influence whether people see job performance as fairly rewarded. In general, technology characterized by relatively uncertain tasks and low interdependency is likely to support job designs allowing employees flexibility and discretion in performing tasks. Conversely, low-uncertainty work systems are likely to promote standardized job designs requiring routinized task behaviors.[15]

Group design concerns the larger group or department containing the individual job. Like organization design, group design is an essential part of the job context. Task structure, goal clarity, group composition, performance norms, and team functioning serve as inputs to job design. They typically have a more immediate impact on jobs than do the larger, organization design components. For example, group task structure can determine how individual jobs are grouped together—as in groups requiring coordination among jobs or in ones comprising collections of independent jobs. Group composition can influence the kinds of people who are available to fill jobs. Group performance norms can affect the kinds of job designs that are considered acceptable, including the level of jobholders' performances. Goal clarity helps members to prioritize work, and group functioning can affect how powerfully the group influences job behaviors. When members maintain close relationships and the group is cohesive, group norms are more likely to be enforced and followed.[16]

Personal characteristics of individuals occupying jobs include their age, education, experience, and skills and abilities. All of these can affect job performance as well as how people react to job designs. Individual needs and expectations can also affect employee job responses. For example, individual differences in growth need—the need for self-direction, learning, and personal accomplishment—can determine how much people are motivated and satisfied by jobs with high levels of skill variety, autonomy, and feedback about results.[17] Similarly, work motivation can be influenced by people's expectations that they can perform a job well and that good job performance will result in valued outcomes.[18]

Design Components

Figure 6.1(C) shows that individual jobs have five key dimensions: skill variety, task identity, task significance, autonomy, and feedback about results.[19]

Skill variety identifies the degree to which a job requires a range of activities and abilities to perform the work. Assembly line jobs, for example, generally have limited skill variety because employees perform a small number of repetitive activities. On the other hand, most professional jobs, include a great deal of skill variety because people engage in diverse activities and employ several different skills in performing their work.

Task identity measures the degree to which a job requires the completion of a relatively whole, identifiable piece of work. Skilled craftspeople, such as tool-and-die makers and carpenters, generally have jobs with high levels of task identity. They are able to see a job through from beginning to end. Assembly line jobs involve only a limited piece of work and score low on task identity.

Task significance identifies the degree to which a job has a significant impact on other people's lives. Custodial jobs in a hospital are likely to have more task significance than similar jobs in a toy factory because hospital custodians are likely to see their jobs as affecting someone else's health and welfare.

Autonomy indicates the degree to which a job provides freedom and discretion in scheduling the work and determining work methods. Assembly line jobs generally have little autonomy: The work pace is scheduled, and people perform preprogrammed tasks. College teaching positions have more autonomy: Professors usually

can determine how a course is taught, even though they may have limited say over class scheduling.

Feedback about results involves the degree to which a job provides employees with direct and clear information about the effectiveness of task performance. Assembly line jobs often provide high levels of feedback about results, whereas college professors must often contend with indirect and ambiguous feedback about how they are performing in the classroom.

Those five job dimensions can be combined into an overall measure of job enrichment. Enriched jobs have high levels of skill variety, task identity, task significance, autonomy, and feedback about results. They provide opportunities for self-direction, learning, and personal accomplishment at work. Many people find enriched jobs internally motivating and satisfying. (Job enrichment is discussed more fully in Chapter 16.)

Fits

The diagnostic model in Figure 6.1(C) suggests that job design must fit job inputs to produce effective job outputs, such as high quality and quantity of individual performance, low absenteeism, and high job satisfaction. Research reveals the following fits between job inputs and job design:

1. Job design should be congruent with the larger organization and group designs within which the job is embedded.[20] Both the organization and the group serve as a powerful context for individual jobs or positions. They tend to support and reinforce particular job designs. Highly differentiated and integrated organizations and groups that permit members to self-regulate their behavior fit enriched jobs. These larger organizations and groups promote autonomy, flexibility, and innovation at the individual job level. Conversely, bureaucratic organizations and groups relying on external controls are congruent with job designs scoring low on the five key dimensions. Both organizations and groups reinforce standardized, routine jobs. As suggested earlier, congruence across different levels of organization design promotes integration of the organization, group, and job levels. Whenever the levels do not fit each other, conflict is likely to emerge.
2. Job design should fit the personal characteristics of the jobholders if they are to perform effectively and derive satisfaction from work. Generally, enriched jobs fit people with strong growth needs.[21] These people derive satisfaction and accomplishment from performing jobs involving skill variety, autonomy, and feedback about results. Enriched jobs also fit people possessing moderate to high levels of task-relevant skills, abilities, and knowledge. Enriched jobs generally require complex information processing and decision making; people must have comparable skills and abilities to perform effectively. Jobs scoring low on the five job dimensions generally fit people with rudimentary skills and abilities and with low growth needs. Simpler, more routinized jobs requiring limited skills and experience fit better with people who place a low value on opportunities for self-direction and learning. In addition, because people can grow through education, training, and experience, job design must be monitored and adjusted from time to time.

Analysis

Application 6.2 presents an example of applying individual-level diagnosis to job design. The university is considering a change in the job design of a program administrator. The application provides information about the current job and asks whether or not the proposed change makes sense. Examination of the inputs and job design features and how the two fit can help to make predictions about the advisability of the change.

application 6.2

Job Design at Pepperdine University

The Graziadio School of Business and Management (GSBM) at Pepperdine University is one of the largest business schools in the country and has the third largest part-time MBA program. The school also provides graduate education aimed at different markets including an executive MBA (EMBA), a presidential/key executive MBA (PKE), and a specialized master's degree in organization development (MSOD). The MSOD program's curriculum consists of 10 four-unit classes over 22 months. Eight of the classes are conducted off-site during eight-day sessions at both domestic and international locations. The MSOD program office consists of a faculty director, a program administrator, and an administrative assistant. In response to cost-cutting initiatives at the university level, a proposal was being considered to alter the job designs of the MSOD program staff.

The MSOD Program Administrator, the focus of this application, was responsible for marketing and recruiting new students, managing the delivery logistics of the off-site program, managing the students' registration and financial relationships with the university, and maintaining relationships with the MSOD alumni. The marketing and recruiting duties involved working with the Program Director and the Director of Marketing for GSBM to develop marketing tactics including advertisements, brochures, conference marketing and support, and other market development activities. The recruiting process involved explaining the curriculum to prospective applicants, overseeing the application process for each applicant, working with the faculty to have qualified applicants interviewed, and managing the admissions process. This too had to be coordinated with the director and the administrative assistant. Once a class was admitted, the Program Administrator worked with various off-site facilities to establish room and board rates and catering services; managed the faculty's travel and teaching requirements; managed various intersession activities including the final exam; managed the students' enrollment and graduation processes including their interface with the university's registrar and finance office and the school's financial aid office; and coached students through the program. After graduation, the Program Administrator served as an unofficial placement service, hooking up eligible graduates with prospective employers who called looking for MSOD talent, provided career guidance, and worked with the program's alumni organization to sponsor conferences and other alumni activities.

Each of the above activities was somewhat programmable in that they occurred at specific times of the year and could be scheduled. However, because each applicant, student, class, or graduate was somewhat unique, the specific tasks or actions could not always be specified in advance and there were a number of exceptions and unique situations that arose during each day, month, or year.

The MSOD Program Administrator has worked with the MSOD program for over 15 years and was a fixture in both the MSOD and the general OD communities. Year over year, the Program Administrator delivered qualified applicants in excess of available space although that task had become increasingly difficult in the face of tuition increases, increasingly restrictive corporate policies on tuition reimbursement, and the ups and downs of the economy. He has handled both routine and nonroutine administrative details professionally, displays and reports a high level of job satisfaction and commitment to the program, and has been complimented formally and informally by the students in the program. In fact, each cohort develops its own relationship with the administrator and he becomes a de facto member of almost every class. The alumni considered the Program Administrator a key and integral part of the MSOD program. The set of duties described above has evolved considerably over the Program Administrator's tenure. In particular, he has become more involved and responsible for marketing and recruiting activities, and the alumni relations duties have been added in response to alumni requests that cannot be filled by traditional university departments.

In an effort to improve efficiencies, and in recognition of the MSOD Program Administrator's outstanding productivity, a proposal was being considered by GSBM administration to change the design of his job. The proposal suggested that the MSOD Program Administrator continue to perform all of the current duties of the position

and, in addition, provide administrative support to two PKE classes from their initial class to graduation. The duties of administrating the PKE program would be similar in nature to the delivery aspects of the MSOD program, including working with faculty to support their teaching efforts, managing textbook ordering processes, and providing different facilities logistics activities. It would not include marketing, recruiting, and alumni development activities. He would receive additional compensation for the increased responsibilities and a title change. The new position would share, with the EMBA program administrator, the supervision of an assistant program administrator, who would in turn supervise a pool of administrative assistants. The assistant program administrator would also report to the EMBA Program Administrator. The MSOD/PKE program administrator would be shared between the MSOD program director and a director of EMBA/PKE programs.

Diagnosis of individual-level inputs answers the following questions:

1. **What is the design of the larger organization within which the individual jobs are embedded?** Although the example says little about the organization's design, a number of inferences are possible. The school's administration was attempting to reward the Program Administrator with a more enriched job. This suggests that the culture of the organization was supportive of employee involvement. The proposed change was also being considered, however, as part of an efficiency drive. The school is large in size, hosting the third largest part-time MBA program. This helps to explain, at the organization level, why a specialized master's degree has been paired with two executive MBA programs and differentiated from the large part-time MBA program. To the extent the OD program has different students or different marketing, delivery, and alumni relations processes, there may be difficult points of integration.
2. **What is the design of the group containing the individual jobs?** Three individual jobs were grouped together according to the type of program. In this case, a faculty director, program administrator, and administrative assistant comprise the program office, but the office is clearly dependent on other university and school functions, such as the registrar's office and financial aid, as well as with the teaching faculty. Each of the three roles has specific duties, but there is a clear sense that all three roles are highly interdependent. The Program Administrator must coordinate with the director on marketing, admissions, and curriculum decisions and with the administrative assistant on recruiting, program delivery, and routine administrative processes. Interaction during task performance is thus intense, and although partly scheduled, the work also must deal with a high number of exceptions.
3. **What are the personal characteristics of jobholders?** The application provides some clues about the Program Administrator's personal characteristics. First, he has stayed in the position for more than 15 years; this speaks to a loyalty or commitment trait. Second, his role has evolved considerably and suggests at least a moderate amount of growth need strength.

Diagnosis of individual jobs involves the following job dimensions:

1. **How much skill variety is included in the job?** The Program Administrator's role involves a wide variety of tasks, including recruiting students; advising prospective and current students on career opportunities; making input into marketing strategies and tactics; handling routine and nonroutine administrative matters such as registration, grade changes, and graduation processes; supervision of an administrative assistant; coordination with other functions and departments within the school and university; traveling to several sessions and handling logistics details; negotiating with a variety of resort properties on rooming costs, menus, meal costs, and room setup; working with alumni; and a variety of other tasks.
2. **How much task identity does the job contain?** The Program Administrator's job is "all of a piece." He sees and follows individuals through an entire process, as applicants, students, and alumni. He sees them as individuals, as professionals, and as members of a family or other community.
3. **How much task significance is involved in the job?** The Program Administrator's task significance is very high. As a result of his work, he brings potential students into a well-respected program, works with them during their matriculation, advises them on their experiences in the program, and takes great pride in having an important hand in their personal and professional development. The opportunity to be integrally involved in a transformational educational process results in high task significance.
4. **How much autonomy is included in the job?** There is a moderate-to-high amount of autonomy and it has evolved and increased over the years of experience in the job. The Program Administrator's long tenure suggests that he is able to handle, without much supervision, almost every aspect of his job.
5. **How much feedback about results does the job contain?** Assuming a traditional performance management process, the Program Administrator probably receives feedback from the director on his performance and on his strengths and weaknesses as a supervisor; from program evaluations, he receives feedback on how the program office is perceived in terms of its service quality; and from the students, he receives feedback on his willingness and ability to provide support and guidance. In short, the Program Administrator receives a lot of feedback about his work.

When the job characteristics are examined together, the program administrator job appears to contain high levels of enrichment. Task variety, task identity, task significance, autonomy, and feedback about results are all high. Over time, the level of enrichment appears to have increased because skill variety and autonomy have increased.

The hypothesis that the job is currently well designed can be tested by assessing how well the job design fits the inputs. The fit between the job and the organization context is not clear. As a specialized master's degree that is different from an executive MBA program, the MSOD program office and the administrator's job in particular have evolved to be somewhat independent of the other programs. There doesn't appear to be much sharing of tasks despite obvious opportunities such as student registration, graduation, book ordering, and others. Either the program is sufficiently different from the MBA programs that it warrants such independence or there are some important opportunities for improved efficiencies from the proposed change. The program administrator job is well fit to the other roles in the program office and to the worker's personal characteristics. For example, the technology of recruiting and educating students and managing the alumni is at least moderately, if not highly, uncertain and very interdependent. Tasks that are uncertain require considerable information processing and decision making. Organic and enriched jobs fit such tasks,

and the program administrator job has gradually evolved to fit the high levels of uncertainty and interdependence.

In this context, the proposed change to the program administrator job needs to be addressed. Will the changes likely improve productivity, enhance quality, or increase job satisfaction? In general, the answer appears to be "no." For example, the proposed change argues that adding new responsibilities will increase task variety, task identity, and task significance. However, the addition of the PKE classes does not increase the skill variety of the incumbent. There are, in fact, no new skills required to administer the PKE classes and adding these responsibilities may actually unbalance the existing skill mix. That is, under the new job, the program delivery component of the job will increase dramatically with respect to the other skills and more or less dominate the mix. This could actually result in a decreased perception of task variety.

The proposed change also argues that task significance will increase since the Program Administrator would be able to affect the lives of MSOD program participants as well as the lives of PKE participants. There is some merit to this idea, but it must be tempered with knowledge from the change in task identity. The MSOD Program Administrator's task identity, as described in the application, is high while the task identity for the PKE program is relatively low. In the PKE program, the Program Administrator would interact with the students only during the program; he has no involvement in the recruiting process and no involvement with them as alumni. Thus, any increase in the number of people his job affects (task significance) is likely to be offset by the reduced involvement he has with about half of these people (task identity).

Finally, the proposed change argues that the incumbent is being given more responsibility, which is true, but he will have less autonomy. The new MSOD/PKE program administrator position will have two bosses: the MSOD program director and the EMBA/PKE director. Thus, the Program Administrator will probably have more, not less, supervision as the MSOD program director ensures that the MSOD program objectives are addressed, and the EMBA/PKE program director ensures that his or her program objectives are being addressed.

Examining the proposed changes against the dimensions of job enrichment suggests an intervention dilemma in this case. Should the school's administration continue with the proposed change? The hoped-for efficiencies may or may not materialize. The skills and knowledge of the Program Administrator may in fact be applied to improve productivity, but will it do so at the cost to the Program Administrator's work satisfaction? Over time, such a solution may not be sustainable. If the change is implemented, interventions probably should be aimed at mitigating the negative implications in task identity, task significance, and autonomy. The MSOD director and the EMBA/PKE director need to clearly work out expectations of the Program Administrator and figure out methods to allow the Program Administrator to perform certain tasks that he finds more rewarding. (Interventions for matching people, technology, and job design are discussed in Chapter 16.) If the proposed changes are not implemented, alternative structural arrangements within the executive programs organization will have to be examined.

SUMMARY

In this chapter, diagnostic models associated with groups and individuals were described and applied. Each of the models derives from the open systems view of organizations developed in Chapter 5. Diagnostic models include the input, design component (transformation processes), and output dimensions needed to understand groups and individual jobs.

Group diagnostic models take the organization's design as the primary input; examine goal clarity, task structure, group composition, performance norms, and team functioning as the key design components; and list group performance and member quality of work life as the outputs. As with any open-systems model, the alignment of these parts is the key to understanding effectiveness.

At the individual job level, organization design, group design, and characteristics of each job are the salient inputs. Task variety, task significance, task identity, autonomy, and feedback work together to produce outputs of work satisfaction and work quality.

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7

Collecting and Analyzing Diagnostic Information

Organization development is vitally dependent on *organization diagnosis:* the process of collecting information that will be shared with the client in jointly assessing how the organization is functioning and determining the best change intervention. The quality of the information gathered, therefore, is a critical part of the OD process. In this chapter, we discuss several key issues associated with collecting and analyzing diagnostic data on how an organization or department functions.

Data collection involves gathering information on specific organizational features, such as the inputs, design components, and outputs presented in Chapters 5 and 6. The process begins by establishing an effective relationship between the OD practitioner and those from whom data will be collected and then choosing data collection techniques. Four methods can be used to collect data: questionnaires, interviews, observations, and unobtrusive measures. Data analysis organizes and examines the information to make clear the underlying causes of an organizational problem or to identify areas for future development. The next step in the cyclical OD process is the feedback of data to the client system, an important process described in Chapter 8. The overall process of data collection, analysis, and feedback is shown in Figure 7.1.

THE DIAGNOSTIC RELATIONSHIP

In most cases of planned change, OD practitioners play an active role in gathering data from organization members for diagnostic purposes. For example, they might interview members of a work team about causes of conflict among members; they might survey employees at a large industrial plant about factors contributing to poor product quality. Before collecting diagnostic information, practitioners need to establish a relationship with those who will provide and subsequently use it. Because the nature of that relationship affects the quality and usefulness of the data collected, it is vital that OD practitioners clarify for organization members who they are, why the data are being collected, what the data gathering will involve, and how the data will be used.[1] That information can help allay people's natural fears that the data might be used against them and gain members' participation and support, which are essential to developing successful interventions.

Establishing the diagnostic relationship between the consultant and relevant organization members is similar to forming a contract. It is meant to clarify expectations and to specify the conditions of the relationship. In those cases where members have been directly involved in the entering and contracting process described in Chapter 4, the diagnostic contract will typically be part of the initial contracting step. In situations where data will be collected from members who have not been directly involved in entering and contracting, however, OD practitioners will need to establish a diagnostic

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contract as a prelude to diagnosis. The answers to the following questions provide the substance of the diagnostic contract:[2]

1. **Who am I?** The answer to this question introduces the OD practitioner to the organization, particularly to those members who do not know the consultant and yet will be asked to provide diagnostic data.
2. **Why am I here, and what am I doing?** These answers are aimed at defining the goals of the diagnosis and data-gathering activities. The consultant needs to present the objectives of the action research process and to describe how the diagnostic activities fit into the overall developmental strategy.
3. **Who do I work for?** This answer clarifies who has hired the consultant, whether it be a manager, a group of managers, or a group of employees and managers. One way to build trust and support for the diagnosis is to have those people directly involved in establishing the diagnostic contract. Thus, for example, if the consultant works for a joint labor–management committee, representatives from both sides of that group could help the consultant build the proper relationship with those from whom data will be gathered.
4. **What do I want from you, and why?** Here, the consultant needs to specify how much time and effort people will need to give to provide valid data and subsequently to work with these data in solving problems. Because some people may not want to participate in the diagnosis, it is important to specify that such involvement is voluntary.
5. **How will I protect your confidentiality?** This answer addresses member concerns about who will see their responses and in what form. This is especially critical when employees are asked to provide information about their attitudes or perceptions. OD practitioners can either ensure confidentiality or state that full participation in the change process requires open information sharing. In the first case, employees are frequently concerned about privacy and the possibility of being punished for their responses. To alleviate concern and to increase the likelihood of obtaining honest responses, the consultant may need to assure employees of the confidentiality of their information, perhaps through explicit guarantees of response anonymity. In the second case, full involvement of the participants in their own diagnosis may be a vital ingredient of the change process. If sensitive issues arise, assurances of confidentiality can co-opt the OD practitioner and thwart meaningful diagnosis. The consultant is bound to keep confidential the issues that are most critical for the group or organization to understand.[3] OD practitioners must think carefully about how they want to handle confidentiality issues.

6. **Who will have access to the data?** Respondents typically want to know whether they will have access to their data and who else in the organization will have similar access. The OD practitioner needs to clarify access issues and, in most cases, should agree to provide respondents with their own results. Indeed, the collaborative nature of diagnosis means that organization members will work with their own data to discover causes of problems and to devise relevant interventions.
7. **What's in it for you?** This answer is aimed at providing organization members with a clear delineation of the benefits they can expect from the diagnosis. This usually entails describing the feedback process and how they can use the data to improve the organization.
8. **Can I be trusted?** The diagnostic relationship ultimately rests on the trust established between the consultant and those providing the data. An open and honest exchange of information depends on such trust, and the practitioner should provide ample time and face-to-face contact during the contracting process to build this trust. This requires the consultant to listen actively and discuss openly all questions raised by participants.

Careful attention to establishing the diagnostic relationship helps to promote the three goals of data collection.[4] The first and most immediate objective is to obtain valid information about organizational functioning. Building a data collection contract can ensure that organization members provide honest, reliable, and complete information.

Data collection also can rally energy for constructive organizational change. A good diagnostic relationship helps organization members start thinking about issues that concern them, and it creates expectations that change is possible. When members trust the consultant, they are likely to participate in the diagnostic process and to generate energy and commitment for organizational change.

Finally, data collection helps to develop the collaborative relationship necessary for effecting organizational change. The diagnostic stage of action research is probably the first time that most organization members meet the OD practitioner, and it can be the basis for building a longer-term relationship. The data collection contract and subsequent data-gathering and feedback activities provide members with opportunities for seeing the consultant in action and for knowing her or him personally. If the consultant can show employees that he or she is trustworthy, is willing to work with them, and is able to help improve the organization, then the data collection process will contribute to the longer-term collaborative relationship so necessary for carrying out organizational changes.

METHODS FOR COLLECTING DATA

The four major techniques for gathering diagnostic data are questionnaires, interviews, observations, and unobtrusive measures. Table 7.1 briefly compares the methods and lists their major advantages and problems. No single method can fully measure the kinds of variables important to OD because each has certain strengths and weaknesses.[5] For example, perceptual measures, such as questionnaires and surveys, are open to self-report biases, such as respondents' tendency to give socially desirable answers rather than honest opinions. Observations, on the other hand, are susceptible to observer biases, such as seeing what one wants to see rather than what is really there. Because of the biases inherent in any data collection method, more than one method should be used when collecting diagnostic data. If data from the different methods are compared and found to be consistent, it is likely that the variables are being measured validly. For example, questionnaire measures of job discretion could be supplemented with observations of the number and kinds of decisions employees are making. If the two kinds of data support each other, job discretion is probably being assessed accurately. If the two

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kinds of data conflict, the validity of the measures should be examined further—perhaps by using a third method, such as interviews.

Questionnaires

One of the most efficient ways to collect data is through questionnaires. Because they typically contain fixed-response queries about various features of an organization, these paper-and-pencil measures can be administered to large numbers of people simultaneously. Also, they can be analyzed quickly, especially with the use of computers, thus permitting quantitative comparison and evaluation. As a result, data can easily be fed back to employees. Numerous basic resource books on survey methodology and questionnaire development are available.[6]

Questionnaires can vary in scope, some measuring selected aspects of organizations and others assessing more comprehensive organizational characteristics. They also can vary in the extent to which they are either standardized or tailored to a specific organization. Standardized instruments generally are based on an explicit model of organization, group, or individual effectiveness and contain a predetermined set of questions that have been developed and refined over time. For example, Table 7.2 presents a standardized questionnaire for measuring the job design dimensions identified in Chapter 6: skill variety, task identity, task significance, autonomy, and feedback about results. The questionnaire includes three items or questions for each

[Table 7.2]

Job Design Questionnaire

Here are some statements about your job. How much do you agree or disagree with each?

MY JOB:	STRONGLY DISAGREE	DISAGREE	SLIGHTLY DISAGREE	UNDECIDED	SLIGHTLY AGREE	AGREE	STRONGLY AGREE
1. provides much variety	[1]	[2]	[3]	[4]	[5]	[6]	[7]
2. permits me to be left on my own to do my own work	[1]	[2]	[3]	[4]	[5]	[6]	[7]
3. is arranged so that I often have the opportunity to see jobs or projects through to completion	[1]	[2]	[3]	[4]	[5]	[6]	[7]
4. provides feedback on how well I am doing as I am working . . .	[1]	[2]	[3]	[4]	[5]	[6]	[7]
5. is relatively significant in our organization	[1]	[2]	[3]	[4]	[5]	[6]	[7]
6. gives me considerable opportunity for independence and freedom in how I do my work	[1]	[2]	[3]	[4]	[5]	[6]	[7]
7. gives me the opportunity to do a number of different things	[1]	[2]	[3]	[4]	[5]	[6]	[7]
8. provides me an opportunity to find out how well I am doing	[1]	[2]	[3]	[4]	[5]	[6]	[7]
9. is very significant or important in the broader scheme of things . . .	[1]	[2]	[3]	[4]	[5]	[6]	[7]
10. provides an opportunity for independent thought and action . . .	[1]	[2]	[3]	[4]	[5]	[6]	[7]
11. provides me with a great deal of variety at work	[1]	[2]	[3]	[4]	[5]	[6]	[7]
12. is arranged so that I have the opportunity to complete the work I start	[1]	[2]	[3]	[4]	[5]	[6]	[7]
13. provides me with the feeling that I know whether I am performing well or poorly	[1]	[2]	[3]	[4]	[5]	[6]	[7]
14. is arranged so that I have the chance to do a job from the beginning to the end (i.e., a chance to do the whole job)	[1]	[2]	[3]	[4]	[5]	[6]	[7]
15. is one where a lot of other people can be affected by how well the work gets done	[1]	[2]	[3]	[4]	[5]	[6]	[7]

Scoring:

Skill variety .... questions 1, 7, 11
Task identity .... questions 3, 12, 14
Task significance .... questions 5, 9, 15
Autonomy .... questions 2, 6, 10
Feedback about results .... questions 4, 8, 13

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dimension, and a total score for each job dimension is computed simply by adding the responses for the three relevant items and arriving at a total score from 3 (low) to 21 (high). The questionnaire has wide applicability. It has been used in a variety of organizations with employees in both blue-collar and white-collar jobs.

Several research organizations have been highly instrumental in developing and refining surveys. The Institute for Social Research at the University of Michigan (http://www.isr.umich.edu) and the Center for Effective Organizations at the University of Southern California (http://ceo-marshall.usc.edu) are two prominent examples. Two of the Institute's most popular measures of organizational dimensions are the *Survey of Organizations* and the *Michigan Organizational Assessment Questionnaire*. Few other instruments are supported by such substantial reliability and validity data.[7] Other examples of packaged instruments include Weisbord's *Organizational Diagnostic Questionnaire*, Dyer's *Team Development Survey*, Cameron and Quinn's *Organizational Culture Assessment Instrument*, and Hackman and Oldham's *Job Diagnostic Survey*.[8] In fact, so many questionnaires are available that rarely would an organization have to create a totally new one. However, because every organization has unique problems and special jargon for referring to them, almost any standardized instrument will need to have organization-specific additions, modifications, or omissions.

On the other hand, customized questionnaires are tailored to the needs of a particular client. Typically, they include questions composed by consultants or organization members, receive limited use, and do not undergo longer-term development. They can be combined with standardized instruments to provide valid and reliable data focused toward the particular issues facing an organization.

Questionnaires, however, have a number of drawbacks that need to be taken into account in choosing whether to employ them for data collection. First, responses are limited to the questions asked in the instrument. They provide little opportunity to probe for additional data or to ask for points of clarification. Second, questionnaires tend to be impersonal, and employees may not be willing to provide honest answers. Third, questionnaires often elicit response biases, such as the tendency to answer questions in a socially acceptable manner. This makes it difficult to draw valid conclusions from employees' self-reports.

Interviews

A second important measurement technique is the *individual* or *group interview*. Interviews are probably the most widely used technique for collecting data in OD. They permit the interviewer to ask the respondent direct questions. Further probing and clarification is, therefore, possible as the interview proceeds. This flexibility is invaluable for gaining private views and feelings about the organization and for exploring new issues that emerge during the interview.

Interviews may be highly structured—resembling questionnaires—or highly unstructured—starting with general questions that allow the respondent to lead the way. Structured interviews typically derive from a conceptual model of organization functioning; the model guides the types of questions that are asked. For example, a structured interview based on the organization-level design components identified in Chapter 5 would ask managers specific questions about technology, strategy, organization structure, measurement systems, human resources systems, and organization culture.

Unstructured interviews are more general and include the following broad questions about organizational functioning:

- What are the major goals or objectives of the organization or department?
- How does the organization currently perform with respect to these purposes?
- What are the strengths and weaknesses of the organization or department?
- What barriers stand in the way of good performance?

Although interviewing typically involves one-to-one interaction between an OD practitioner and an employee, it can be carried out in a group context. Group interviews save time and allow people to build on others' responses. A major drawback, however, is that group settings may inhibit some people from responding freely.

A popular type of group interview is the *focus group* or *sensing meeting*.[9] These are unstructured meetings conducted by a manager or a consultant. A small group of 10 to 15 employees is selected to represent a cross section of functional areas and hierarchical levels or a homogeneous grouping, such as minorities or engineers. Group discussion is frequently started by asking general questions about organizational features and functioning, an intervention's progress, or current performance. Group members are then encouraged to discuss their answers more fully. Consequently, focus groups and sensing meetings are an economical way to obtain interview data and are especially effective in understanding particular issues in greater depth. The richness and validity of the information gathered will depend on the extent to which the manager or the consultant develops a trust relationship with the group and listens to member opinions.

Another popular unstructured group interview involves assessing the current state of an intact work group. The manager or the consultant generally directs a question to the group, calling its attention to some part of group functioning. For example, group members may be asked how they feel the group is progressing on its stated task. The group might respond and then come up with its own series of questions about barriers to task performance. This unstructured interview is a fast, simple way to collect data about group behavior. It allows members to discuss issues of immediate concern and to engage actively in the questioning and answering process. This technique is limited, however, to relatively small groups and to settings where there is trust among employees and managers and a commitment to assessing group processes.

Interviews are an effective method for collecting data in OD. They are adaptive, allowing the interviewer to modify questions and to probe emergent issues during the interview process. They also permit the interviewer to develop an empathetic relationship with employees, frequently resulting in frank disclosure of pertinent information.

A major drawback of interviews is the amount of time required to conduct and analyze them. Interviews can consume a great deal of time, especially if interviewers take full advantage of the opportunity to hear respondents out and change their questions accordingly. Personal biases also can distort the data. Like questionnaires, interviews are subject to the self-report biases of respondents and, perhaps more important, to the biases of the interviewer. For example, the nature of the questions and the interactions between the interviewer and the respondent may discourage or encourage certain kinds of responses. These problems suggest that interviewing takes considerable skill to gather valid data. Interviewers must be able to understand their own biases, to listen and establish empathy with respondents, and to change questions to pursue issues that develop during the course of the interview.

Observations

One of the more direct ways of collecting data is simply to *observe* organizational behaviors in their functional settings. The OD practitioner may do this by walking casually through a work area and looking around or by simply counting the occurrences of specific kinds of behaviors (for example, the number of times a phone call is answered after three rings in a service department). Observation can range from complete participant observation, in which the OD practitioner becomes a member of the group under study, to more detached observation, in which the observer is clearly not part of the group or situation itself and may use film, videotape, and other methods to record behaviors.

Observations have a number of advantages. They are free of the biases inherent in self-report data. They put the practitioner directly in touch with the behaviors in question, without having to rely on others' perceptions. Observations also involve

real-time data, describing behavior occurring in the present rather than the past. This avoids the distortions that invariably arise when people are asked to recollect their behaviors. Finally, observations are adaptive in that the consultant can modify what he or she chooses to observe, depending on the circumstances.

Among the problems with observations are difficulties interpreting the meaning underlying the observations. Practitioners may need to devise a coding scheme to make sense out of observations, and this can be expensive, take time, and introduce biases into the data. Because the observer is the data collection instrument, personal bias and subjectivity can distort the data unless the observer is trained and skilled in knowing what to look for; how, where, and when to observe; and how to record data systematically. Another problem concerns sampling: Observers not only must decide which people to observe, they also must choose the time periods, territory, and events in which to make those observations. Failure to attend to these sampling issues can result in highly biased samples of observational data.

When used correctly, observations provide insightful data about organization and group functioning, intervention success, and performance. For example, observations are particularly helpful in diagnosing the interpersonal relations of members of work groups. As discussed in Chapter 6, interpersonal relationships are a key component of work groups; observing member interactions in a group setting can provide direct information about the nature of those relationships.

Unobtrusive Measures

Unobtrusive data are not collected directly from respondents but from secondary sources, such as company records and archives. These data are generally available in organizations and include records of absenteeism or tardiness; grievances; quantity and quality of production or service; financial performance; meeting minutes; and correspondence with key customers, suppliers, or governmental agencies.

Unobtrusive measures are especially helpful in diagnosing the organization, group, and individual outputs presented in Chapters 5 and 6. At the organization level, for example, market share and return on investment usually can be obtained from company reports. Similarly, organizations typically measure the quantity and quality of the outputs of work groups and individual employees. Unobtrusive measures also can help to diagnose organization-level design components—structure, work systems, control systems, and human resources systems. A company's organization chart, for example, can provide useful information about organization structure. Information about control systems usually can be obtained by examining the firm's management information system, operating procedures, and accounting practices. Data about human resources systems often are included in a company's personnel manual.

Unobtrusive measures provide a relatively objective view of organizational functioning. They are free from respondent and consultant biases and are perceived as being "real" by many organization members. Moreover, unobtrusive measures tend to be quantified and reported at periodic intervals, permitting statistical analysis of behaviors occurring over time. Examining monthly absenteeism rates, for example, might reveal trends in employee withdrawal behavior.

The major problems with unobtrusive measures occur in collecting such information and drawing valid conclusions from it. Company records may not include data in a form that is usable by the consultant. If, for example, individual performance data are needed, the consultant may find that many firms only record production information at the group or departmental level. Unobtrusive data also may have their own built-in biases. Changes in accounting procedures and in methods of recording data are common in organizations, and such changes can affect company records independently of what is actually happening in the organization. For example, observed changes in productivity over time might be caused by modifications

in methods of recording production rather than by actual changes in organizational functioning.

Despite these drawbacks, unobtrusive data serve as a valuable adjunct to other diagnostic measures, such as interviews and questionnaires. Archival data can be used in preliminary diagnosis, identifying those organizational units with absenteeism, grievance, or production problems. Then, interviews might be conducted or observations made in those units to discover the underlying causes of the problems. Conversely, unobtrusive data can be used to cross-check other forms of information. For example, if questionnaires reveal that employees in a department are dissatisfied with their jobs, company records might show whether that discontent is manifested in heightened withdrawal behaviors, in lowered quality work, or in similar counterproductive behaviors.

SAMPLING

Before discussing how to analyze data, the issue of *sampling* needs to be emphasized. Application of the different data collection techniques invariably raises the following questions: "How many people should be interviewed and who should they be?" "What events should be observed and how many?" "How many records should be inspected and which ones?"[10]

Sampling is not an issue in many OD cases. Because OD practitioners collect interview or questionnaire data from all members of the organization or department in question, they do not have to worry about whether the information is representative of the organization or unit.

Sampling becomes an issue in OD, however, when data are collected from selected members, behaviors, or records. This is often the case when diagnosing organization-level issues or large systems. In these cases, it may be important to ensure that the sample of people, behaviors, or records adequately represents the characteristics of the total population. For example, a sample of 50 employees might be used to assess the perceptions of all 300 members of a department. A sample of production data might be used to evaluate the total production of a work group. OD practitioners often find that it is more economical and quicker to gather a sampling of diagnostic data than to collect all possible information. If done correctly, the sample can provide useful and valid information about the entire organization or unit.

Sampling design involves considerable technical detail, and consultants may need to become familiar with basic references in this area or to obtain professional help.[11] The first issue to address is *sample size*, or how many people, events, or records are needed to carry out the diagnosis or evaluation. This question has no simple answer: The necessary sample size is a function of population size, the confidence desired in the quality of the data, and the resources (money and time) available for data collection.

First, the larger the population (for example, the number of organization members or total number of work outcomes) or the more complex the client system (for example, the number of salary levels that must be sampled or the number of different functions), the more difficult it is to establish a "right" sample size. As the population increases in size and complexity, the less meaning one can attach to simple measures, such as an overall average score on a questionnaire item. Because the population comprises such different types of people or events, more data are needed to ensure an accurate representation of the potentially different subgroups. Second, the larger the proportion of the population that is selected, the more confidence one can have about the quality of the sample. If the diagnosis concerns an issue of great importance to the organization, then extreme confidence may be needed, indicative of a very large sample size. Third, limited resources constrain sample size. If resources are limited but the required confidence is high, then questionnaires will be preferred over interviews because more information can be collected per member per dollar.

The second issue to address is *sample selection*. Probably the most common approach to sampling diagnostic data in OD is a simple *random sample*, in which each member, behavior, or record has an equal chance of being selected. For example, assume that an OD practitioner would like to select 50 people randomly out of the 300 employees at a manufacturing plant. Using a complete list of all 300 employees, the consultant can generate a random sample in one of two ways. The first method is to use a random number table printed in the back of almost any statistics text; the consultant would pick out the employees corresponding to the first 50 numbers under 300 beginning anywhere in the table. The second method is to pick every sixth name (300/50=6) starting anywhere in the list.

If the population is complex, or many subgroups need to be represented in the sample, a *stratified sample* may be more appropriate than a random one. In a stratified sample, the population of members, events, or records is segregated into a number of mutually exclusive subpopulations and a random sample is taken from each subpopulation. For example, members of an organization might be divided into three groups (managers, white-collar workers, and blue-collar workers), and a random sample of members, behaviors, or records could be selected from each grouping to reach diagnostic conclusions about each of the groups.

Adequate sampling is critical to gathering valid diagnostic data, and the OD literature has paid little attention to this issue. OD practitioners should gain rudimentary knowledge in this area and use professional help if necessary.

TECHNIQUES FOR ANALYZING DATA

Data analysis techniques fall into two broad classes: qualitative and quantitative. Qualitative techniques generally are easier to use because they do not rely on numerical data. That fact also makes them more open to subjective biases but also easier to understand and interpret. Quantitative techniques, on the other hand, can provide more accurate readings of the organizational problem.

Qualitative Tools

Of the several methods for summarizing diagnostic data in qualitative terms, two of the most important are content analysis and force-field analysis.

Content Analysis A popular technique for assessing qualitative data, especially interview data, is *content analysis*, which attempts to summarize comments into meaningful categories. When done well, a content analysis can reduce hundreds of interview comments into a few themes that effectively summarize the issues or attitudes of a group of respondents. The process of content analysis can be quite formal, and specialized references describe this technique in detail.[12] In general, however, the process can be broken down into three major steps. First, responses to a particular question are read to gain familiarity with the range of comments made and to determine whether some answers are occurring over and over again. Second, based on this sampling of comments, themes are generated that capture recurring comments. Themes consolidate different responses that say essentially the same thing. For example, in answering the question "What do you like most about your job?" different respondents might list their coworkers, their supervisors, the new machinery, and a good supply of tools. The first two answers concern the social aspects of work, and the second two address the resources available for doing the work. Third, the respondents' answers to a question are then placed into one of the categories. The categories with the most responses represent those themes that are most often mentioned.

Force-Field Analysis A second method for analyzing qualitative data in OD derives from Kurt Lewin's three-step model of change. Called *force-field analysis*, this method organizes

information pertaining to organizational change into two major categories: forces for change and forces for maintaining the status quo or resisting change.[13] Using data collected through interviews, observations, or unobtrusive measures, the first step in conducting a force-field analysis is to develop a list of all the forces promoting change and all those resisting it. Then, based either on the OD practitioner's personal belief or perhaps on input from several members of the client organization, a determination is made of which of the positive and which of the negative forces are most powerful. One can either rank the order or rate the strength of the different forces.

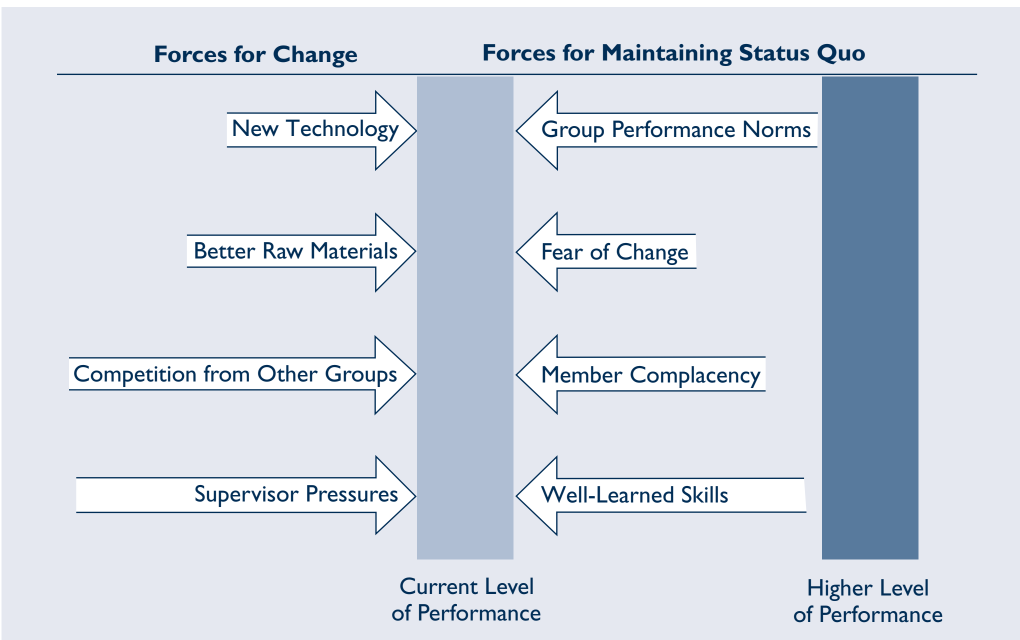
Figure 7.2 illustrates a force-field analysis of the performance of a work group. The arrows represent the forces, and the length of the arrows corresponds to the strength of the forces. The information could have been collected in a group interview in which members were asked to list those factors maintaining the current level of group performance and those factors pushing for a higher level. Members also could have been asked to judge the strength of each force, with the average judgment shown by the length of the arrows.

This analysis reveals two strong forces pushing for higher performance: pressures from the supervisor of the group and competition from other work groups performing similar work. These forces for change are offset by two strong forces for maintaining the status quo: group norms supporting present levels of performance and well-learned skills that are resistant to change. According to Lewin, efforts to change to a higher level of group performance, shown by the darker band in Figure 7.2, should focus on reducing the forces maintaining the status quo. This might entail changing the group's performance norms and helping members to learn new skills. The reduction of forces maintaining the status quo is likely to result in organizational change with little of the tension or conflict typically accompanying change caused by increasing the forces for change.

Application 7.1 describes another installment in the change evaluation process at Alegent Health. (The introduction of this longitudinal case began in Chapter 4.) In this application, the research team collected data from interviews and questionnaires, but

[Figure 7.2]

Force-Field Analysis of Work Group Performance



application 7.1

Collecting and Analyzing Diagnostic Data at Alegent Health

The two applications in Chapter 4 described the entry and contracting processes at the Alegent Health (AH) organization. As a result of a recent merger and the hiring of a new CEO and chief innovation officer (CIO), the organization had implemented a series of large-group interventions, known as decision accelerators (DAs), to generate innovative strategies in the six clinical service areas of women's and children's services, oncology, behavioral health, neuroscience, orthopedics, and cardiology. Alegent Health then hired two OD researchers to evaluate its change progress. The evaluation was intended to help AH understand what had changed, what had been learned, the impact of those changes, and how they might extend those changes and learnings into the future. The diagnostic phase involved the collection and analysis of unobtrusive, interview, and survey data.

Unobtrusive Measures

Immediately following each DA, the Right Track office (a group set up to manage the DA experience) compiled a report listing participant names and affiliations, an agenda, instructions and elapsed times for each activity and process, photographs of different activities and all small-group outputs, and nearly verbatim transcripts of the large-group reports outs, activity debriefings, and discussions.

These reports were analyzed to understand the process and outcomes associated with the each DA. The researchers created a coding scheme and process to capture the characteristics of the participants, the nature of the process, and a description of the DA outputs. Two coders analyzed the data to ensure the reliability of the analysis.

First, the results suggested that the DAs varied in their composition. For example, some DAs were composed of higher percentages of physicians or community members than other DAs. Second, some DAs were more "intense" than others as indicated by the amount of debate over decisions or issues, the number of different stakeholders who participated in the debates and discussions, and the extent to which the DA's activities deviated from the preset agenda. Finally, some DAs produced comprehensive visions and strategies for the clinical area, while others produced visions that were more narrowly focused.

Interview Measures

A second data set consisted of interviews with various stakeholder groups. Initial interviews were conducted with executives and physicians about (1) the context of change at Alegent, including organization history, strategy, and recent changes; (2) their reflections on the DA process; and (3) clinical area implementation progress. The researchers conducted a second round of interviews with people who were closely connected with the implementation of each clinical service area strategy. They were asked questions about the clarity of action plans, the level of involvement of different people, and implementation progress. Finally, a third set of interviews were conducted with a sample of staff nurses who had not participated in the original DAs or been directly involved in implementation activities, such as steering committees or design teams.

Each set of interview data was content analyzed for key themes and perspectives. A few of the summary results from the initial interviews are presented here.

When asked, "How clear were the action plans coming out of the DA?", the executives were evenly split in their beliefs that the action plans were clear as opposed to the plans being essentially absent. Executives were also asked, "What is going well/not so well in implementation of the different service line strategies?" About 20% of executives believed that the strategies were aligned with the mission/vision of the health system and that the DAs had provided a clear vision to work toward. However, more than half of executives expressed concern that the organization lacked a real change capability. Executives were also concerned about being overwhelmed by change, insufficient communication, and the need to involve stakeholders more.

When asked, "What would you list as the 'high points' or 'best success stories' of the DA process?" and "What have been some of the least successful activities/concerns?", the answers were more positive than negative. Nearly all of the interviewees noted

the improved relationships with physicians, and more than a third of executives said there had been some good learnings on how to increase the speed of decision making. Both of these results reflected cultural changes in the organization that were among the purposes for conducting the DAs. On the negative side, a small percentage of executives noted the continued difficulties associated with coordinating the operations of a multihospital system.

Another area of interview data concerned executive perceptions of how the DA might evolve in the future. There was a strong generic belief that the DA needed to evolve to fit the changed organizational conditions and a widespread perception that this should include a more explicit focus on execution, better change governance, and better follow-up and communication.

In addition to these initial interview results, data from the second round of implementation interviews were used to develop six cases studies, one for each clinical service area. They described the initial DA event and the subsequent decisions, activities, and events for the 18 months following the formation of the clinical strategies. Importantly, the case studies listed the organizational changes that most people agreed had been implemented in the first 18 months. Each case study was given to the VP in charge of the clinical area for validation.

Survey Measures

The researchers also collected two sets of survey data. The first survey, administered during the initial round of executive and physician interviews, asked them to rate several dimensions of clinical area strategy and progress. The second survey was administered to people who attended a "review DA" for three of the six clinical areas. It too measured perceptions of clinical strategy and progress.

The survey data were organized into three categories and analyzed by a statistical program. The first category measured five dimensions of strategy for each clinical area: comprehensiveness, innovativeness, aggressiveness, congruence with Alegent's strategy, and business focus. Both executives and managers rated the clinical strategies highest on comprehensiveness and lowest on congruence with Alegent's mission. Executives also rated the strategies lower on innovativeness. In all dimensions and for each clinical area, managers rated the five dimensions higher than executives did.

The second category measured how well the implementation process was being managed. Executives "somewhat agreed" that the clinical area strategies were associated with a clear action plan; however, there was considerable variance, suggesting that some clinical areas had better action plans than others. Similarly, managers "somewhat agreed" that change governance systems exists and that change was coordinated.

The third category assessed implementation success. As with the strategy dimensions, managers rated overall implementation progress higher than executives did, but both groups were somewhat guarded (between neutral and agree) in their responses. Managers were asked a more detailed set of questions about implementation. There was more agreement that the clinical strategies were the "right thing to do" and had helped to "build social capital" in the organization, but they were neutral with respect to whether "people feel involved" in the change.

also used observation and unobtrusive measures. The analysis used a combination of qualitative and quantitative techniques. What do you see as the strengths and weaknesses of the data collection and analysis process?

Quantitative Tools

Methods for analyzing quantitative data range from simple descriptive statistics of items or scales from standard instruments to more sophisticated, multivariate analysis of the underlying instrument properties and relationships among measured variables.[14] The most common quantitative tools are means, standard deviations, and frequency

distributions; scattergrams and correlation coefficients; and difference tests. These measures are routinely produced by most statistical computer software packages. Therefore, mathematical calculations are not discussed here.

Means, Standard Deviations, and Frequency Distributions One of the most economical and straightforward ways to summarize quantitative data is to compute a *mean* and *standard deviation* for each item or variable measured. These represent the respondents' average score and the spread or variability of the responses, respectively. These two numbers easily can be compared across different measures or subgroups. For example, Table 7.3 shows the means and standard deviations for six questions asked of 100 employees concerning the value of different kinds of organizational rewards. Based on the 5-point scale ranging from 1 (*very low value*) to 5 (*very high value*), the data suggest that challenging work and respect from peers are the two most highly valued rewards. Monetary rewards, such as pay and fringe benefits, are not as highly valued.

But the mean can be a misleading statistic. It only describes the average value and thus provides no information on the distribution of the responses. Different patterns of responses can produce the same mean score. Therefore, it is important to use the standard deviation along with the frequency distribution to gain a clearer understanding of the data. The *frequency distribution* is a graphical method for displaying data that shows the number of times a particular response was given. For example, the data in Table 7.3 suggest that both pay and praise from the supervisor are equally valued with a mean of 4.0. However, the standard deviations for these two measures are very different at 0.71 and 1.55, respectively. Table 7.4 shows the frequency distributions of the responses to the questions about pay and praise from the supervisor. Employees' responses to the value of pay are distributed toward the higher end of the scale, with no one rating it of low or very low value. In contrast, responses about the value of praise from the supervisor fall into two distinct groupings: Twenty-five employees felt that supervisor praise has a low or very low value, whereas 75 people rated it high or very high. Although both rewards have the same mean value, their standard deviations and frequency distributions suggest different interpretations of the data.

In general, when the standard deviation for a set of data is high, there is considerable disagreement over the issue posed by the question. If the standard deviation is small, the data are similar on a particular measure. In the example described above, there is disagreement over the value of supervisory praise (some people think it is important, but others do not), but there is fairly good agreement that pay is a reward with high value.

Scattergrams and Correlation Coefficients In addition to describing data, quantitative techniques also permit OD consultants to make inferences about the relationships between variables. Scattergrams and correlation coefficients are measures of the

[Table 7.3]

Descriptive Statistics of Value of Organizational Rewards

ORGANIZATIONAL REWARDS	MEAN	STANDARD DEVIATION
Challenging work	4.6	0.76
Respect from peers	4.4	0.81
Pay	4.0	0.71
Praise from supervisor	4.0	1.55
Promotion	3.3	0.95
Fringe benefits	2.7	1.14

Number of respondents = 100
1 = very low value; 5 = very high value

[Table 7.4]

Frequency Distributions of Responses to "Pay" and "Praise from Supervisor" Items

Pay (Mean = 4.0)

RESPONSE	NUMBER CHECKING EACH RESPONSE	GRAPH*
(1) Very low value	0	
(2) Low value	0	
(3) Moderate value	25	XXXXX
(4) High value	50	XXXXXXXXXX
(5) Very high value	25	XXXXX

Praise from Supervisor (Mean = 4.0)

RESPONSE	NUMBER CHECKING EACH RESPONSE	GRAPH*
(1) Very low value	15	XXX
(2) Low value	10	XX
(3) Moderate value	0	
(4) High value	10	XX
(5) Very high value	65	XXXXXXXXXXXXX

*Each X = five people checking the response.

strength of a relationship between two variables. For example, suppose the problem being faced by an organization is increased conflict between the manufacturing department and the engineering design department. During the data collection phase, information about the number of conflicts and change orders per month over the past year is collected. The data are shown in Table 7.5 and plotted in a scattergram in Figure 7.3.

A *scattergram* is a diagram that visually displays the relationship between two variables. It is constructed by locating each case (person or event) at the intersection of

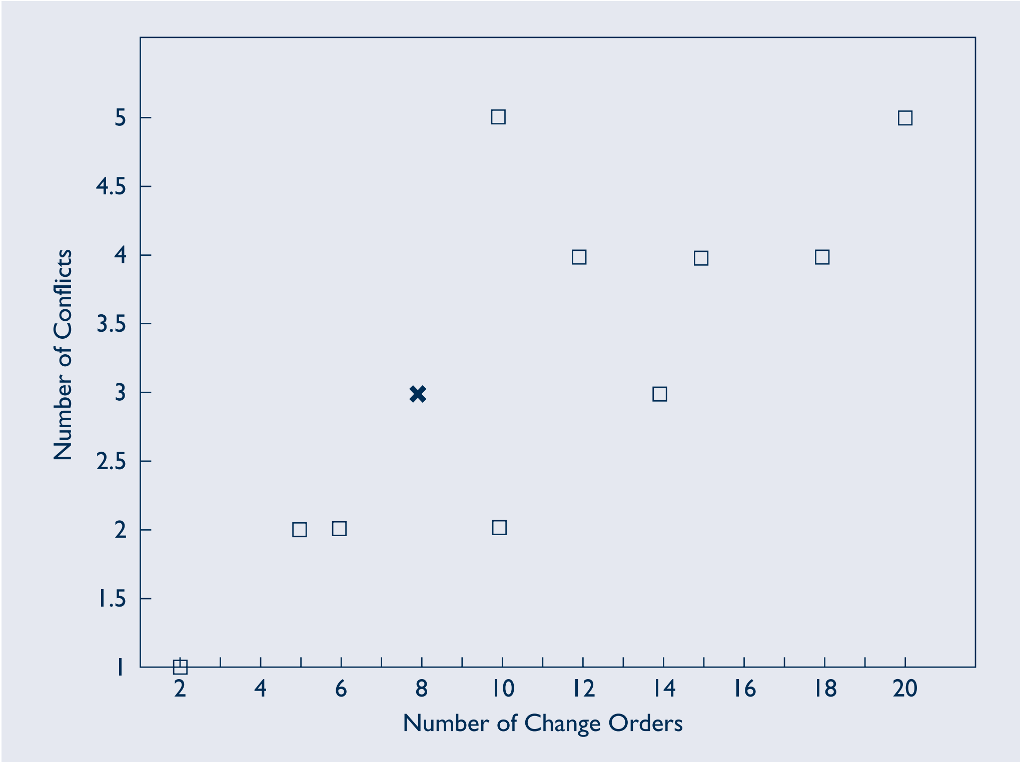
[Table 7.5]

Relationship between Change Orders and Conflicts

MONTH	NUMBER OF CHANGE ORDERS	NUMBER OF CONFLICTS
April	5	2
May	12	4
June	14	3
July	6	2
August	8	3
September	20	5
October	10	2
November	2	1
December	15	4
January	8	3
February	18	4

[Figure 7.3]

Scattergram of Change Order versus Conflict

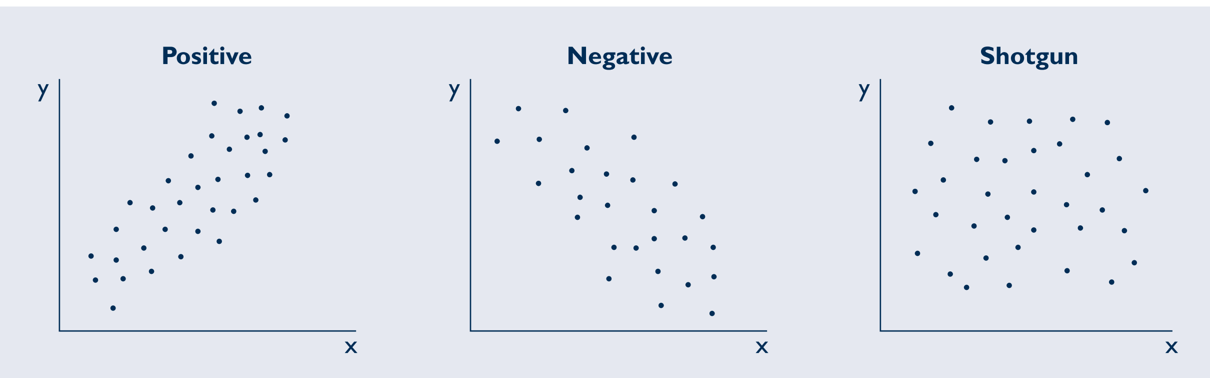


its value for each of the two variables being compared. For example, in the month of August, there were eight change orders and three conflicts, whose intersection is shown in Figure 7.3 as an ×.

Three basic patterns can emerge from a scattergram, as shown in Figure 7.4. The first pattern is called a positive relationship because as the values of *x* increase, so do the values of *y*. The second pattern is called a negative relationship because as the values of *x* increase, the values of *y* decrease. Finally, there is the "shotgun" pattern

[Figure 7.4]

Basic Scattergram Patterns



wherein no relationship between the two variables is apparent. In the example shown in Figure 7.3, an apparently strong positive relationship exists between the number of change orders and the number of conflicts between the engineering design department and the manufacturing department. This suggests that change orders may contribute to the observed conflict between the two departments.

The *correlation coefficient* is simply a number that summarizes data in a scattergram. Its value ranges between +1.0 and −1.0. A correlation coefficient of +1.0 means that there is a perfectly positive relationship between two variables, whereas a correlation of −1.0 signifies a perfectly negative relationship. A correlation of 0 implies a "shotgun" scattergram where there is no relationship between two variables.

Difference Tests The final technique for analyzing quantitative data is the *difference test.* It can be used to compare a sample group against some standard or norm to determine whether the group is above or below that standard. It also can be used to determine whether two samples are significantly different from each other. In the first case, such comparisons provide a broader context for understanding the meaning of diagnostic data. They serve as a "basis for determining 'how good is good or how bad is bad.'"[15] Many standardized questionnaires have standardized scores based on the responses of large groups of people. It is critical, however, to choose a comparison group that is similar to the organization being diagnosed. For example, if 100 engineers take a standardized attitude survey, it makes little sense to compare their scores against standard scores representing married males from across the country. On the other hand, if industry-specific data are available, a comparison of sales per employee (as a measure of productivity) against the industry average would be valid and useful.

The second use of difference tests involves assessing whether two or more groups differ from one another on a particular variable, such as job satisfaction or absenteeism. For example, job satisfaction differences between an accounting department and a sales department can be determined with this tool. Given that each group took the same questionnaire, their means and standard deviations can be used to compute a difference score (t-score or z-score) indicating whether the two groups are statistically different. The larger the difference score relative to the sample size and standard deviation for each group, the more likely that one group is more satisfied than the other.

Difference tests also can be used to determine whether a group has changed its score on job satisfaction or some other variable over time. The same questionnaire can be given to the same group at two points in time. Based on the group's means and standard deviations at each point in time, a difference score can be calculated. The larger the score, the more likely that the group actually changed its job satisfaction level.

The calculation of difference scores can be very helpful for diagnosis but requires the OD practitioner to make certain assumptions about how the data were collected. These assumptions are discussed in most standard statistical texts, and OD practitioners should consult them before calculating difference scores for purposes of diagnosis or evaluation.[16]

SUMMARY

This chapter described several different methods for collecting and analyzing diagnostic data. Because diagnosis is an important step that occurs frequently in the planned change process, a working familiarity with these techniques is essential. Methods of data collection include questionnaires, interviews, observation, and unobtrusive measures. Methods of analysis include qualitative techniques, such as content analysis and force-field analysis, and quantitative techniques, such as the determination of mean, standard deviation, and frequency distributions; scattergrams and correlation coefficients; as well as difference tests.

NOTES

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8

Feeding Back Diagnostic Information

Perhaps the most important step in the diagnostic process is feeding back diagnostic information to the client organization. Although the data may have been collected with the client's help, the OD practitioner often organizes and presents them to the client. Properly analyzed and meaningful data can have an impact on organizational change only if organization members can use the information to devise appropriate action plans. A key objective of the feedback process is to be sure that the client has ownership of the data.

As shown in Figure 8.1, the success of data feedback depends largely on its ability to arouse organizational action and to direct energy toward organizational problem solving. Whether feedback helps to energize the organization depends on the content of the feedback data and on the process by which they are fed back to organization members.

In this chapter, we discuss criteria for developing both the content of feedback information and the processes for feeding it back. If these criteria are overlooked, the client is not apt to feel ownership of the problems facing the organization. A flexible and potentially powerful technique for data feedback that has arisen out of the wide use of questionnaires in OD work is known as survey feedback. Its central role in many large-scale OD efforts warrants a special look.

DETERMINING THE CONTENT OF THE FEEDBACK

In the course of diagnosing the organization, a large amount of data is collected. In fact, there is often more information than the client needs or can interpret in a realistic period of time. If too many data are fed back, the client may decide that changing is impossible. Therefore, OD practitioners need to summarize the data in ways that enable clients to understand the information and draw action implications from it. The techniques for data analysis described in Chapter 7 can inform this task. Additional criteria for determining the content of diagnostic feedback are described below.

Several characteristics of effective feedback data have been described in the literature.[1] They include the following nine properties:

1. **Relevant.** Organization members are likely to use feedback data for problem solving when they find the information meaningful. Including managers and employees in the initial data collection activities can increase the relevance of the data.
2. **Understandable.** Data must be presented to organization members in a form that is readily interpreted. Statistical data, for example, can be made understandable through the use of graphs and charts.
3. **Descriptive.** Feedback data need to be linked to real organizational behaviors if they are to arouse and direct energy. The use of examples and detailed illustrations can help employees gain a better feel for the data.
4. **Verifiable.** Feedback data should be valid and accurate if they are to guide action. Thus, the information should allow organization members to verify whether the

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findings really describe the organization. For example, questionnaire data might include information about the sample of respondents as well as frequency distributions for each item or measure. Such information can help members verify whether the feedback data accurately represent organizational events or attitudes.

5. **Timely.** Data should be fed back to members as quickly as possible after being collected and analyzed. This will help ensure that the information is still valid and is linked to members' motivations to examine it.
6. **Limited.** Because people can easily become overloaded with too much information, feedback data should be limited to what employees can realistically process at one time.
7. **Significant.** Feedback should be limited to those problems that organization members can do something about because it will energize them and help direct their efforts toward realistic changes.

8. **Comparative.** Feedback data can be ambiguous without some benchmark as a reference. Whenever possible, data from comparative groups should be provided to give organization members a better idea of how their group fits into a broader context.
9. **Unfinalized.** Feedback is primarily a stimulus for action and thus should spur further diagnosis and problem solving. Members should be encouraged, for example, to use the data as a starting point for more in-depth discussion of organizational issues.

CHARACTERISTICS OF THE FEEDBACK PROCESS

In addition to providing effective feedback data, it is equally important to attend to the process by which that information is fed back to people. Typically, data are provided to organization members in a meeting or series of meetings. Feedback meetings provide a forum for discussing the data, drawing relevant conclusions, and devising preliminary action plans. Because the data might include sensitive material and evaluations about organization members' behaviors, people may come to the meeting with considerable anxiety and fear about receiving the feedback. This anxiety can result in defensive behaviors aimed at denying the information or providing rationales. More positively, people can be stimulated by the feedback and the hope that desired changes will result from the feedback meeting. Because people are likely to come to feedback meetings with anxiety, fear, and hope, OD practitioners need to manage the feedback process so that constructive discussion and problem solving occur. The most important objective of the feedback process is to ensure that organization members own the data. Ownership is the opposite of resistance to change and refers to people's willingness to take responsibility for the data, their meaning, and the consequences of using them to devise a change strategy.[2] If the feedback session results in organization members rejecting the data as invalid or useless, then the motivation to change is lost and members will have difficulty engaging in a meaningful process of change.

Ownership of the feedback data is facilitated by the following five features of successful feedback processes:[3]

1. **Motivation to work with the data.** People need to feel that working with the feedback data will have beneficial outcomes. This may require explicit sanction and support from powerful groups so that people feel free to raise issues and to identify concerns during the feedback sessions. If people have little motivation to work with the data or feel that there is little chance to use the data for change, then the information will not be owned by the client system.
2. **Structure for the meeting.** Feedback meetings need some structure or they may degenerate into chaos or aimless discussion. An agenda or outline for the meeting and the presence of a discussion leader can usually provide the necessary direction. If the meeting is not kept on track, especially when the data are negative, ownership can be lost in conversations that become too general. When this happens, the energy gained from dealing directly with the problem is lost.
3. **Appropriate attendance.** Generally, people who have common problems and can benefit from working together should be included in the feedback meeting. This may involve a fully intact work team or groups comprising members from different functional areas or hierarchical levels. Without proper representation in the meeting, ownership of the data is lost because participants cannot address the problem(s) suggested by the feedback.
4. **Appropriate power.** It is important to clarify the power possessed by the group. Members need to know on which issues they can make necessary changes, on which they can only recommend changes, and over which they have no control. Unless there are clear boundaries, members are likely to have some hesitation about using the feedback data for generating action plans. Moreover, if the group

has no power to make changes, the feedback meeting will become an empty exercise rather than a real problem-solving session. Without the power to address change, there will be little ownership of the data.

5. **Process help.** People in feedback meetings require assistance in working together as a group. When the data are negative, there is a natural tendency to resist the implications, deflect the conversation onto safer subjects, and the like. An OD practitioner with group process skills can help members stay focused on the subject and improve feedback discussion, problem solving, and ownership.

When combined with effective feedback data, these features of successful feedback meetings enhance member ownership of the data. They help to ensure that organization members fully discuss the implications of the diagnostic information and that their conclusions are directed toward relevant and feasible organizational changes.

Application 8.1 presents excerpts from some training materials that were delivered to a group of internal facilitators at a Fortune 100 telecommunications company.[4] It describes how the facilitators were trained to deliver the results of a survey concerning problem solving, team functioning, and perceived effectiveness.

SURVEY FEEDBACK

Survey feedback is a process of collecting and feeding back data from an organization or department through the use of a questionnaire or survey. The data are analyzed, fed back to organization members, and used by them to diagnose the organization and to develop interventions to improve it. Because questionnaires often are used in organization diagnosis, particularly in OD efforts involving large numbers of participants, and because it is a powerful intervention in its own right, survey feedback is discussed here as a special case of data feedback.

As discussed in Chapter 1, survey feedback is a major technique in the history and development of OD. Originally, this intervention included only data from questionnaires about members' attitudes. However, attitudinal data can be supplemented with interview data and more objective measures, such as productivity, turnover, and absenteeism.[5] Another trend has been to combine survey feedback with other OD interventions, including work design, structural change, large-group interventions, and intergroup relations. These change methods are the outcome of the planning and implementation phase following from survey feedback and are described fully in Chapters 12 through 23.

What Are the Steps?

Survey feedback generally involves the following five steps:[6]

1. **Members of the organization, including those at the top, are involved in preliminary planning of the survey.** In this step, all parties must be clear about the level of analysis (organization, department, or small group) and the objectives of the survey. Because most surveys derive from a model about organizational or group functioning, organization members must, in effect, approve that diagnostic framework. This is an important initial step in gaining ownership of the data and in ensuring that the right problems and issues are addressed by the survey.

   Once the objectives are determined, the organization can use one of the standardized questionnaires described in Chapter 7, or it can develop its own survey instrument. If the survey is developed internally, pretesting the questionnaire is essential to ensure that it has been constructed properly. In either case, the survey items need to reflect the objectives established for the survey and the diagnostic issues being addressed.

Training OD Practitioners in Data Feedback

As part of a large-scale, employee involvement (EI) program, a large telecommunications company and the Communications Workers of America union were working to build an internal organization development consulting capability. This involved the hiring and development of several union and management employees to work with managers, facilitate EI problem-solving team meetings, and assist in the implementation of recommended changes. The implementation process included an evaluation component and the EI facilitators were expected to collect and feed back data to the organization.

The data collected included observation of various work processes and problem-solving meetings; unobtrusive measures such as minutes from all meetings, quarterly income statements, operational reports, and communications; and questionnaire and interview data. A three-page questionnaire was administered every three months and it asked participants on EI problem-solving teams for their perceptions of team functioning and performance. Internal EI facilitators were appointed from both management and union employees, and part of their work required them to feed back the results of the quarterly surveys.

To provide timely feedback to the problem-solving teams, the EI facilitators were trained to deliver survey feed back. Some of the material developed for that training is summarized below.

I. Planning for a Survey-Feedback Session

The success of a survey-feedback meeting often has more to do with the level of preparation for the meeting than with anything else. There are several things to do in preparing for a survey-feedback meeting.

A. *Distribute copies of the feedback report in advance*. This enables people to devote more time at the meeting to problem solving and less to just digesting the data. This is especially important when a large quantity of data is being presented.

B. *Think about substantive issues in advance*. Formulate your own view of what the data suggest about the strengths and weaknesses of the group. Does the general picture appear to be positive or problematic? Do the data fit the experience of the group as you know it? What issues do the data suggest need group attention? Is the group likely to avoid any of these issues? If so, how will you help the group confront the difficult issues?

C. *Make sure you can answer likely technical questions about the data*. Survey data have particular strengths and weaknesses. Be able to acknowledge that the data are not perfect, but that a lot of effort has gone into ensuring that they are reliable and valid.

D. *Plan your introduction to the survey-feedback portion of the meeting*. Make the introduction brief and to the point. Remind the group of why it is considering the data, set the stage for problem solving by pointing out that many groups find such data helpful in tracking their progress, and be prepared to run through an example that shows how to understand the feedback data.

II. Problem Solving with Survey-Feedback Data

A. *Chunk the feedback*. If a lot of data are being fed back, use your knowledge of the group and the data to present small portions of data. Stop periodically to see if there are questions or comments about each section or "chunk" of data.

B. *Stimulate discussion on the data*. What follows are various ways to help get the discussion going.

1. Help clarify the meaning of the data by asking
   - What questions do you have about what the data mean?
   - What does [a specific number] mean?
   - Does anything in the data surprise you?
   - What do the data tell you about how we're doing as a group?

2. Help develop a shared diagnosis about the meaning of the data by commenting
   - What I hear people saying is . . . Does everyone agree with that?
   - Several people are saying that . . . is a problem. Do we agree that this is something the group needs to address?
   - Some people seem to be saying . . . while other comments suggest . . . Can you help me understand how the group sees this?
   - The group has really been struggling with [specific issue that the facilitator is familiar with], but the data say that we are strong on this. Can someone explain this?
3. Help generate action alternatives by asking
   - What are some of the things we can do to resolve . . . ?
   - Do we want to brainstorm some action steps to deal with . . . ?

C. *Focus the group on its own data*. The major benefit of survey feedback for EI teams will be in learning about the group's own behavior and outcomes. Often, however, groups will avoid dealing with issues concerning their own group in favor of broader and less helpful discussions about what other groups are doing right and wrong. Comments you might use to help get the group on track include:
   - What do the data say about how we are doing as a group?
   - There isn't a lot we can do about what other groups are doing. What can we do about the things that are under our control?
   - The problem you are mentioning sounds like one this group also is facing [explain]. Is that so?

D. *Be prepared for problem-solving discussions that are only loosely connected to the data*. It is more important for the group to use the data to understand itself better and to solve problems than it is to follow any particular steps in analyzing the data. Groups often are not very systematic in how they analyze survey-feedback data. They may ignore issues that seem obvious to them and instead focus on one or two issues that have meaning for them.

E. *Hot issues and how to deal with them*. Survey data can be particularly helpful in addressing some hot issues within the group that might otherwise be overlooked. For example, a group often will prefer to portray itself as very effective even though group members privately acknowledge that such is not the case. If the data show problems that are not being addressed, you can raise this issue as a point for discussion. If someone denies that group members feel there is a problem, you can point out that the data come from the group and that group members reported such-and-such on the survey. Be careful not to use a parental tone; if you sound like you're wagging your finger at or lecturing the group, you're likely to get a negative reaction. Use the data to raise issues for discussion in a less emotional way.

Ultimately, the group must take responsibility for its own use of the data. There will be times when you see the issues differently from the way group members see them or times when it appears certain to you that the group has a serious problem that it refuses to acknowledge. A facilitator cannot push a group to do something it's not ready to do, but he or she can poke the group at times to find out if it is ready to deal with tough issues. "A little irritation is what makes a pearl in the oyster."

2. **The survey instrument is administered to all members of the organization or department.** This breadth of data collection is ideal, but it may be appropriate to administer the instrument to only a sample of members because of cost or time constraints. If so, the size of the sample should be as large as possible to improve the motivational basis for participation in the feedback sessions.
3. **The OD consultant usually analyzes the survey data, tabulates the results, suggests approaches to diagnosis, and trains client members to lead the feedback process.**
4. **Data feedback usually begins at the top of the organization and cascades downward to groups reporting to managers at successively lower levels.** This waterfall approach ensures that all groups at all organizational levels involved in the survey receive appropriate feedback. Most often, members of each organization group at each level discuss and deal with only that portion of the data involving their particular group. They, in turn, prepare to introduce data to groups at the next lower organizational level if appropriate.

   Data feedback also can occur in a "bottom-up" approach. Initially, the data for specific work groups or departments are fed back and action items proposed. At this point, the group addresses problems and issues within its control. The group notes any issues that are beyond its authority and suggests actions. That information is combined with information from groups reporting to the same manager, and the combined data are fed back to the managers who review the data and the recommended actions. Problems that can be solved at this level are addressed. In turn, their analyses and suggestions regarding problems of a broader nature are combined, and feedback and action sessions proceed up the hierarchy. In such a way, the people who most likely will carry out recommended action get the first chance to propose suggestions.
5. **Feedback meetings provide an opportunity to work with the data.** At each meeting, members discuss and interpret their data, diagnose problem areas, and develop action plans. OD practitioners can play an important role during these meetings,[7] facilitating group discussion to produce accurate understanding, focusing the group on its strengths and weaknesses, and helping to develop effective action plans.

Although the preceding steps can have a number of variations, they generally reflect the most common survey-feedback design. Application 8.2 presents a contemporary example of how the survey-feedback methodology can be adapted to serve strategic purposes. The application describes how Prudential Real Estate Affiliates combines attitudinal surveys with hard measures to increase change ownership in real estate sales offices.[8]

Survey Feedback and Organizational Dependencies

Traditionally, the steps of survey feedback have been applied to work groups and organizational units with little attention to dependencies among them. Research suggests, however, that the design of survey feedback should vary depending on how closely the participating units are linked with one another.[9] When the units are relatively independent and have little need to interact, survey feedback can focus on the dynamics occurring within each group and can be applied to the groups separately. When there is greater dependency among units and they need to coordinate their efforts, survey feedback must take into account relationships among the units, paying particular attention to the possibility of intergroup conflict. In these situations, the survey-feedback process needs to be coordinated across the interdependent groups. The process will typically be managed by special committees and task forces representing the groups. They will facilitate the intergroup confrontation and conflict resolution generally needed when relations across groups are diagnosed.

application 8.2

Operations Review and Survey Feedback at Prudential Real Estate Affiliates

Prudential Real Estate Affiliates, Inc. (PREA) is a subsidiary of the Prudential Insurance Company of America. Throughout the United States, it franchises the Prudential name to independently owned and operated real estate offices that help people buy and sell homes and commercial real estate. PREA works with approximately 1,200 of these offices. Although some real estate firms are large, multioffice organizations, many are small independent offices with an owner/manager and several sales associates. PREA's primary work is to help the offices do their job better by offering a range of support services, including technical support, sales training, advertising, and business assistance.

PREA has adapted successfully the survey-feedback technology to assist its customers in improving profitability, productivity, and sales associate work satisfaction. The survey-feedback methodology is called an "operations review." It is a voluntary service annually provided free of charge to any office. PREA describes the operations review as an "interactive process." Each office manager is required to gather internal information about its operations and to send the data to PREA. In addition, each sales associate completes a confidential 43-item opinion survey that is returned directly to PREA for analysis.

These data are entered into a database, and a four-color report is produced. The report is then fed back to the owner/manager of a single office or to the management team in the larger offices. In the best cases, all or part of the data is then shared with the sales associates at a sales meeting. The data are discussed, areas of improvement are identified, and action plans are developed. "When there are discrepancies, especially on the sales force attitudes, it is a great opportunity for discussion," says Skip Newberg, one of the process designers.

The data are presented in three major areas: financial performance, including income, expense, and profit ratios; productivity, including units sold or revenues per full-time sales associate; and management practices, including office climate, service orientation, and sales associates' attitudes. The data for each question are presented in colorful graphs that compare the office's productivity with that of similar offices (in terms of size or structure) and with the productivity of the top-performing sales office in the country. "Presenting the data in this simple way has an impact. Reams of computer printouts with numbers are not interesting. . . . Graphs and colors grab a manager's attention," says Newberg.

Although the financial and productivity data are important, it is the management practices data that get the most attention in the feedback process. Newberg believes that "the power is not in the printed book; the power is in the skill of the people who sit down with the sales office people and help them interpret it. A skilled person can show an office their strengths and weaknesses in such a way that they can use the data to make improvements." The "management practices" section examines three areas that are related to sales office performance: climate, service orientation, and fundamental attitudes. *Climate* refers to the associates' perceptions of the extent and degree to which their work and well-being are promoted by management and other associates. It also indicates the degrees to which associates have a sense of pride in their office. Items in the survey, such as "This real estate office is considered to be a leader by others in the market" and "We get a lot of customers in this office based on customer referrals," tap that dimension. *Service orientation* refers to an office's emphasis on service quality and customer satisfaction. To assess this dimension, the survey asks sales associates to agree or disagree with statements such as "Our office places so much emphasis on selling to customers that it is difficult to serve customers properly" and "Our advertising is consistent with the service we deliver." Finally, *fundamental attitudes* of sales associates and their perceptions of management's attitudes can range from optimistic to pessimistic. The survey taps these attitudes with statements such as "Clients have no loyalty regardless of how you treat them" and "Giving customers truly excellent custom service takes too much; it's just not worth it."

Including sales office performance next to sales associates' opinions and attitudes provides an important motivational aspect to the feedback process. Newberg believes that "there isn't a manager alive who doesn't want to know how they compare to their peers. The profit and productivity information gets the office's attention and makes it easier to get the message across." The message he refers to is the results of research conducted by PREA. It has produced some remarkable evidence of relationships between sales office performance and the attitudes and opinions of the sales associates. For example, PREA's research has provided strong evidence of a positive relationship between the fundamental attitudes of sales associates and sales office profitability.

Invariably during the feedback session, owner/managers or senior managers say, "OK, that's great—sales associate attitudes and office performance are related. But how can I improve sales associate attitudes?" Glenn Sigmund, a PREA manager who has worked extensively with the operations review, says, "If we can get managers to this point, we have their interest, motivation, and most importantly, commitment to address change." Additional research by PREA found certain key behaviors, practices, and policies that were directly related to positive scores on fundamental attitudes, service orientation, and office climate. These practices and policies give the sales office something tangible to work with and implement.

Response to the system has been favorable. More than 20,000 sales associates have taken the survey, and many offices are back for the third year of feedback. One CEO from a large multioffice firm said, "This is one of the most valuable services PREA offers. Our managers see it as a great tool and one of the best mechanisms for feedback from our sales associates to check how we're really doing." Another manager in a smaller office reported that "the operations review has had a definite impact. It helps us focus on carrying out our business plan and increase profits. We also use it to help our sales associates plan how to improve their own effectiveness."

Limitations of Survey Feedback

Although the use of survey feedback is widespread in contemporary organizations, the following limits and risks have been identified:[10]

1. **Ambiguity of purpose.** Managers and staff groups responsible for the survey-feedback process may have difficulty reaching sufficient consensus about the purposes of the survey, its content, and how it will be fed back to participants. Such confusion can lead to considerable disagreement over the data collected and paralysis about doing anything with them.
2. **Distrust.** High levels of distrust in the organization can render the survey feedback ineffective. Employees need to trust that their responses will remain anonymous and that management is serious about sharing the data and solving problems jointly.
3. **Unacceptable topics.** Most organizations have certain topics that they do not want examined. This can severely constrain the scope of the survey process, particularly if the neglected topics are important to employees.
4. **Organizational disturbance.** The survey-feedback process can unduly disturb organizational functioning. Data collection and feedback typically infringe on employee work time. Moreover, administration of a survey can call attention to issues with which management is unwilling to deal, and can create unrealistic expectations about organizational improvement.

Results of Survey Feedback

Survey feedback has been used widely in business organizations, schools, hospitals, federal and state governments, and the military. The navy has used survey feedback in more than 500 navy commands. More than 150,000 individual surveys were completed, and a large bank of computerized research data was generated. Promising results were noted among survey indices on nonjudicial punishment rates, incidence of drug abuse reports, and performance of ships undergoing refresher training (a postoverhaul training and evaluation period).[11] Positive results have been reported in such diverse areas as an industrial organization in Sweden and the Israeli Army.[12]

One of the most important studies of survey feedback was done by Bowers, who conducted a five-year longitudinal study (the Intercompany Longitudinal Study) of 23 organizations in 15 companies involving more than 14,000 people in both white-collar and blue-collar positions.[13] In each of the 23 organizations studied, repeat measurements were taken. The study compared survey feedback with three other OD interventions: interpersonal process consultation, task process consultation, and laboratory training. The study reported that survey feedback was the most effective of the four treatments and the only one "associated with large across-the-board positive changes in organization climate."[14] Although these findings have been questioned on a number of methodological grounds,[15] the original conclusion that survey feedback is effective in achieving organizational change was supported. The study suggested that any conclusions to be drawn from action research and survey-feedback studies should be based, at least in part, on objective operating data.

Comprehensive reviews of the literature reveal differing perspectives on the effects of survey feedback. In one review, survey feedback's biggest impact was on attitudes and perceptions of the work situation. The study suggested that survey feedback might best be viewed as a bridge between the diagnosis of organizational problems and the implementation of problem-solving methods because little evidence suggests that survey feedback alone will result in changes in individual behavior or organizational output.[16] This view is supported by research suggesting that the more the data were used to solve problems between initial surveys and later surveys, the more the data improved.[17] Another study suggested that survey feedback has positive effects on both outcome variables (for example, productivity, costs, and absenteeism) and process variables (for example, employee openness, decision making, and motivation) in 53% and 48%, respectively, of the studies measuring those variables. When compared with other OD approaches, survey feedback was only bettered by interventions using several approaches together—for example, change programs involving a combination of survey feedback, process consultation, and team building.[18] On the other hand, another review found that, in contrast to laboratory training and team building, survey feedback was least effective, with only 33% of the studies that measured hard outcomes reporting success. The success rate increased to 45%, however, when survey feedback was combined with team building.[19] Finally, a meta-analysis of OD process interventions and individual attitudes suggested that survey feedback was not significantly associated with overall satisfaction or attitudes about co-workers, the job, or the organization. Survey feedback was able to account for only about 11% of the variance in satisfaction and other attitudes.[20]

Studies of specific survey-feedback interventions identify conditions that improve the success of this technique. One study in an urban school district reported difficulties with survey feedback and suggested that its effectiveness depends partly on the quality of those leading the change effort, members' understanding of the process, the extent to which the survey focuses on issues important to participants, and the degree to which the values expressed by the survey are congruent with those of the

respondents.[21] Another study in the military concluded that survey feedback works best when supervisors play an active role in feeding back data to employees and helping them to work with the data.[22] Similarly, a field study of funeral cooperative societies concluded that the use and dissemination of survey results increased when organization members were closely involved in developing and carrying out the project and when the consultant provided technical assistance in the form of data analysis and interpretation.[23] Finally, a long-term study of survey feedback in an underground mining operation suggested that continued, periodic use of survey feedback can produce significant changes in organizations.[24]

SUMMARY

This chapter described the process of feeding back data to a client system. It concerned identifying the content of the data to be fed back and designing a feedback process that ensures ownership of the data. Feeding back data is a central activity in almost any OD program. If members own the data, they will be motivated to solve organizational problems. A special application of the data collection and feedback process is called survey feedback. It is one of the most accepted processes in organization development, enabling practitioners to collect diagnostic data from a large number of organization members and to feed back that information for purposes of problem solving. Survey feedback highlights the importance of contracting appropriately with the client system (discussed in Chapters 4 and 7), establishing relevant categories for data collection, and feeding back the data as necessary steps for diagnosing organizational problems and developing interventions for resolving them.

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9

Designing Interventions

An organization development intervention is a sequence of activities, actions, and events intended to help an organization improve its performance and effectiveness. Intervention design, or action planning, derives from careful diagnosis and is meant to resolve specific problems and to improve particular areas of organizational functioning identified in the diagnosis. OD interventions vary from standardized programs that have been developed and used in many organizations to relatively unique programs tailored to a specific organization or department.

This chapter serves as an overview of the intervention design process: It describes criteria that define effective OD interventions and identifies contingencies that guide successful intervention design. Finally, the various types of OD interventions presented in this book are introduced. Parts 3 through 6 of this book describe fully the major interventions used in OD today.

WHAT ARE EFFECTIVE INTERVENTIONS?

The term "intervention" refers to a set of sequenced planned actions or events intended to help an organization increase its effectiveness. Interventions purposely disrupt the status quo; they are deliberate attempts to change an organization or subunit toward a different and more effective state. In OD, three major criteria define an effective intervention: (1) the extent to which it fits the needs of the organization; (2) the degree to which it is based on causal knowledge of intended outcomes; and (3) the extent to which it transfers change management competence to organization members.

The first criterion concerns the extent to which the intervention is relevant to the organization and its members. Effective interventions are based on valid information about the organization's functioning; they provide organization members with opportunities to make free and informed choices; and they gain members' internal commitment to those choices.[1]

Valid information is the result of an accurate diagnosis of the organization's functioning. It must reflect fairly what organization members perceive and feel about their primary concerns and issues. *Free and informed choice* suggests that members are actively involved in making decisions about the changes that will affect them. This principle also means that they can choose not to participate and that interventions will not be imposed on them. This is an important distinction between change management—where a change legitimately can be imposed on people—and OD—where the intent of the change process is to build capacity for change *and* increase effectiveness. *Internal commitment* means that organization members accept ownership of the intervention and take responsibility for implementing it. If interventions are to result in meaningful changes, management, staff, and other relevant members must be committed to carrying them out.

The second criterion of an effective intervention involves knowledge of outcomes. Because interventions are intended to produce specific results, they must be based on

valid knowledge that those outcomes actually can be produced. Otherwise there is no scientific basis for designing an effective OD intervention. Unfortunately—and in contrast to other applied disciplines, such as medicine and engineering—knowledge of intervention effects is in a rudimentary stage of development in OD. Much of the evaluation research lacks sufficient rigor to make strong causal inferences about the success or failure of change programs. (Chapter 11 discusses how to evaluate OD programs rigorously.) Moreover, few attempts have been made to examine the comparative effects of different OD techniques. All of these factors make it difficult to know whether one method is more effective than another.

Despite these problems, more attempts are being made to assess systematically the strengths and weaknesses of OD interventions and to compare the impact of different techniques on organization effectiveness.[2] Many of the OD interventions that will be discussed briefly here and in more depth in Parts 3 through 6 have been subjected to evaluative research; chapters on the various change programs explore the research appropriate to them.

The third criterion of an effective intervention involves the extent to which it enhances the organization's capacity to manage change. The values underlying OD suggest that following an intervention, organization members should be better able to carry out planned change activities on their own. From active participation in designing and implementing the intervention, they should gain knowledge and skill in managing change. Competence in change management is essential in today's environment, where technological, social, economic, and political changes are rapid and persistent. Many organizations, such as Capital One, The Hartford, The Limited Brands, and Microsoft, recognize this need and are systematically building their change management capabilities.

HOW TO DESIGN EFFECTIVE INTERVENTIONS

Designing OD interventions requires paying careful attention to the needs and dynamics of the change situation and crafting a change program that will be consistent with the previously described criteria of effective interventions. Current knowledge of OD interventions provides only general prescriptions for change. There is scant precise information or research about how to design interventions or how they can be expected to interact with organizational conditions to achieve specific results.[3] Moreover, because the ability to implement most OD interventions is highly dependent on the skills and knowledge of the change agent, the design of an intervention will depend to some extent on the expertise of the practitioner.

Two major sets of contingencies that can affect intervention success have been discussed in the OD literature: those having to do with the change situation (including the practitioner) and those related to the target of change. Both kinds of contingencies need to be considered in designing interventions.

Contingencies Related to the Change Situation

Researchers have identified a number of contingencies present in the change situation that can affect intervention success. These include individual differences among organization members (for example, needs for autonomy), organizational factors (for example, management style and technical uncertainty), and dimensions of the change process itself (for example, degree of top-management support). Unless these factors are taken into account, designing an intervention will have little impact on organizational functioning or, worse, it may produce negative results. For example, to resolve motivational problems among blue-collar workers in an oil refinery, it is important to know whether interventions intended to improve motivation (for example, job enrichment) will succeed with the kinds of people who work there. In many cases, knowledge of

these contingencies results in modifying or adjusting the change program to fit the setting. In applying a reward-system intervention to an organization, the changes might have to be modified depending on whether the firm wants to reinforce individual or team performance.

Although knowledge of contingencies is still at a rudimentary stage of development in OD, researchers have discovered several situational factors that can affect intervention success.[4] These factors include contingencies for many of the interventions reviewed in this book, and they will be discussed in respective chapters describing the change programs. The more generic contingencies that apply to all OD interventions are presented below. They include situational factors that must be considered in designing any intervention: the organization's readiness for change, its change capability, its cultural context, and the change agent's skills and abilities.

Readiness for Change Intervention success depends heavily on the organization being ready for planned change. Indicators of readiness for change include sensitivity to pressures for change, dissatisfaction with the status quo, availability of resources to support change, and commitment of significant management time. When such conditions are present, interventions can be designed to address the organizational issues uncovered during diagnosis. When readiness for change is low, however, interventions need to focus first on increasing the organization's willingness to change.[5]

Capability to Change An organization's change capability is a function of the change-related knowledge and skills present in the organization, the resources and systems devoted to change, and the organization's experience with change.[6] First, managing planned change requires particular knowledge and skills (as outlined in Chapter 10), including the ability to motivate change, to lead change, to develop political support, and to sustain momentum. Second, change requires an infrastructure to support the transition. Program and project management offices, consulting resources, and shared models of the change process are necessary to oversee execution. Finally, an organization must have experience with and learnings from change to have a change capability. If an organization does not have these resources, then a preliminary training intervention may be needed before members can engage meaningfully in intervention design.

Cultural Context The national culture within which the organization is embedded can exert a powerful influence on members' reactions to change, so intervention design must account for the cultural values and assumptions held by organization members. Interventions may have to be modified to fit the local culture, particularly when OD practices developed in one culture are applied to organizations in another culture.[7] For example, a team-building intervention designed for top managers at an American firm may need to be modified when applied to the company's foreign subsidiaries. (Chapter 23 will describe the cultural values of different countries and show how interventions can be modified to fit different cultural contexts.)

Capabilities of the Change Agent Many failures in OD result when change agents apply interventions beyond their competence. In designing interventions, OD practitioners should assess their experience and expertise against the requirements needed to implement the intervention effectively. When a mismatch is discovered, practitioners can explore whether the intervention can be modified to fit their talents better, whether another intervention more suited to their skills can satisfy the organization's needs, or whether they should enlist the assistance of another change agent who can guide the process more effectively. The ethical guidelines under which OD practitioners operate require full disclosure of the applicability of their knowledge and expertise to the client situation. Practitioners are expected to intervene within their capabilities or to recommend someone more suited to the client's needs.

Contingencies Related to the Target of Change

OD interventions seek to change specific features or parts of organizations. These targets of change are the main focus of interventions, and researchers have identified two key contingencies related to change targets that can affect intervention success: the organizational issues that the intervention is intended to resolve and the level of organizational system at which the intervention is expected to have a primary impact.

Organizational Issues Organizations need to address certain issues to operate effectively. Figure 9.1 lists these issues along with the OD interventions that are intended to resolve them. (The parts and chapters of this book that describe the specific interventions are also identified in the figure.) It shows the following four interrelated issues that are key targets of OD interventions:

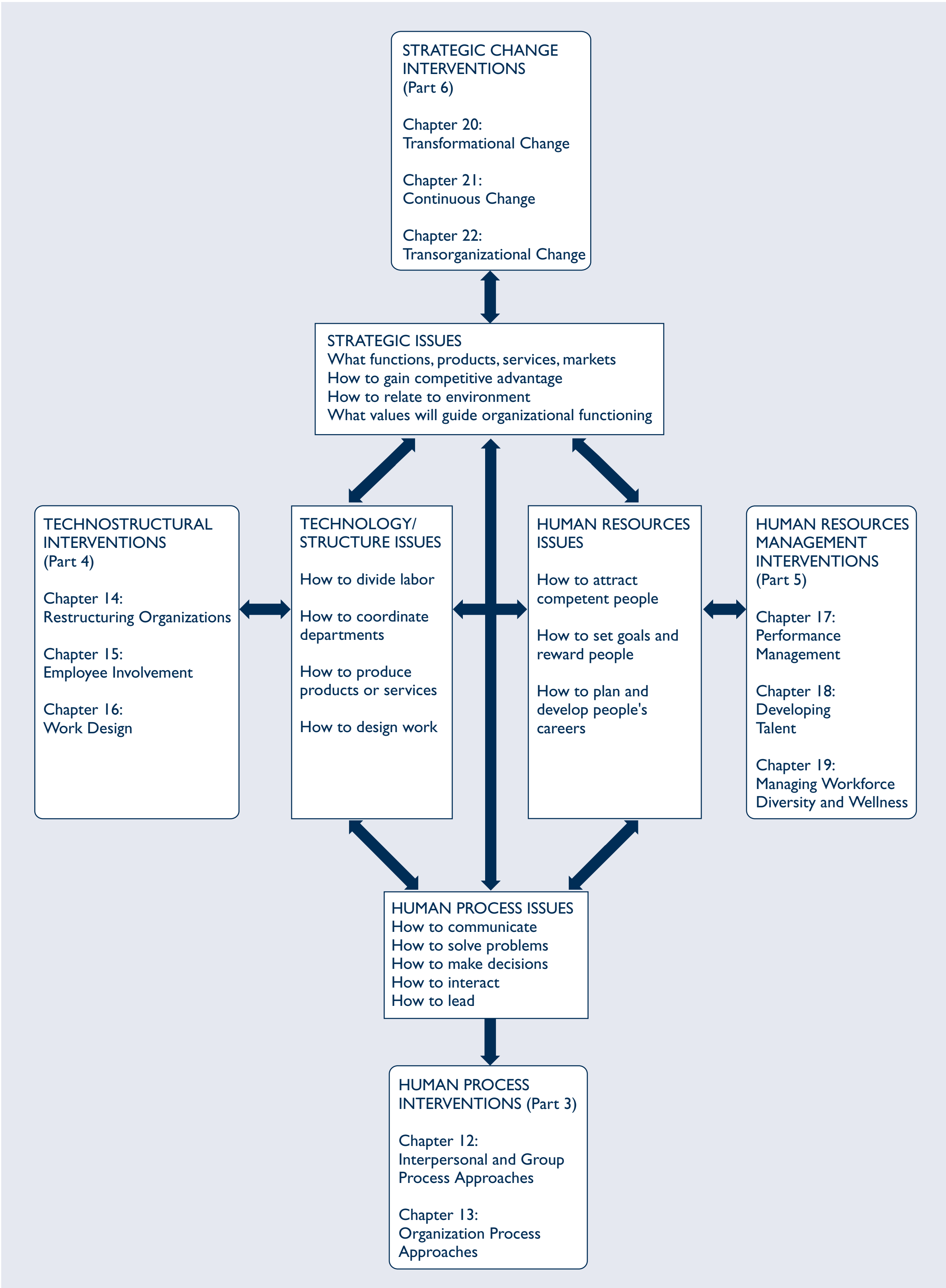
1. **Strategic issues.** Organizations need to decide what products or services they will provide and the markets in which they will compete, as well as how to relate to their environments and how to transform themselves to keep pace with changing conditions. These strategic issues are among the most critical ones facing organizations in today's changing and highly competitive environments. OD methods aimed at these issues are called strategic interventions. The methods are among the most recent additions to OD and include integrated strategic change, mergers and acquisitions, alliance and network development, and organization learning.
2. **Technological and structural issues.** Organizations must decide how to divide work into departments and then how to coordinate among those departments to support strategic directions. They also must make decisions about how to deliver products or services and how to link people to tasks. OD methods for dealing with these structural and technological issues are called technostructural interventions and include OD activities relating to organization design, employee involvement, and work design.
3. **Human resources issues.** These issues are concerned with attracting competent people to the organization, setting goals for them, appraising and rewarding their performance, and ensuring that they develop their careers and manage stress. OD techniques aimed at these issues are called human resources management interventions.
4. **Human process issues.** These issues have to do with social processes occurring among organization members, such as communication, decision making, leadership, and group dynamics. OD methods focusing on these kinds of issues are called human process interventions; included among them are some of the most common OD techniques, such as conflict resolution and team building.

Consistent with systems theory as described in Chapter 5, these organizational issues are interrelated and need to be integrated with one another. The double-headed arrows connecting the different issues in Figure 9.1 represent the fits or linkages among them. Organizations need to match answers to one set of questions with answers to other sets of questions to achieve high levels of effectiveness. For example, decisions about gaining competitive advantage need to fit with choices about organization structure, setting goals for and rewarding people, communication, and problem solving.

The interventions presented in this book are intended to resolve these different concerns. As shown in Figure 9.1, particular OD interventions apply to specific issues. Thus, intervention design must create change methods appropriate to the organizational issues identified in diagnosis. Moreover, because the organizational issues are themselves linked together, OD interventions similarly need to be integrated with one another. For example, a goal-setting intervention that tries to establish motivating goals may need to be integrated with supporting interventions, such as a reward system that links pay to goal achievement.

[Figure 9.1]

Types of OD Interventions and Organizational Issues



The key point is to think systemically.[8] Interventions aimed at one kind of organizational issue will invariably have repercussions on other kinds of issues. Careful thinking about how OD interventions affect the different kinds of issues and how different change programs might be integrated to bring about a broader and more coherent impact on organizational functioning is critical to effective OD intervention.

Organizational Levels In addition to facing interrelated issues, organizations function at different levels: individual, group, organization, and transorganization. Thus, organizational levels are targets of change in OD. Table 9.1 lists OD interventions in terms of the level of organization that they primarily affect. For example, some technostructural interventions affect mainly individuals and groups (for example, work design), whereas others impact primarily the total organization (for example, structural design).

It is important to emphasize that only the primary level affected by the intervention is identified in Table 9.1. Many OD interventions also have a secondary impact on the other levels. For example, structural design affects mainly the organization level, but it can have an indirect effect on groups and individuals because it sets the broad parameters for designing work groups and individual jobs. Again, practitioners need to think systemically. They must design interventions to apply to specific organizational levels, address the possibility of cross-level effects, and perhaps integrate interventions affecting different levels to achieve overall success.[9] For example, an intervention to create self-managed work teams may need to be linked to organization-level changes in measurement and reward systems to promote team-based work.

OVERVIEW OF INTERVENTIONS

The OD interventions discussed in Parts 3 through 6 of this book are briefly described below. They represent the major organization change methods used in OD today.

Human Process Interventions

Part 3 of the book presents interventions focusing on people within organizations and the processes through which they accomplish organizational goals. These processes include communication, problem solving, group decision making, and leadership. This type of intervention is deeply rooted in the history of OD and represents the earliest change programs characterizing OD. Human process interventions derive mainly from the disciplines of psychology and social psychology and the applied fields of group dynamics and human relations. Practitioners applying these interventions generally value human fulfillment and expect that organizational effectiveness follows from improved functioning of people and organizational processes.[10]

Chapter 12 discusses human process interventions related to interpersonal relationships and group dynamics. These include the following three interventions:

1. **Process consultation.** This intervention focuses on interpersonal relations and social dynamics occurring in work groups. Typically, a process consultant helps group members diagnose group functioning and devise appropriate solutions to process problems, such as dysfunctional conflict, poor communication, and ineffective norms. The aim is to help members gain the skills and understanding necessary to identify and solve problems themselves.
2. **Third-party intervention.** This change method is a form of process consultation aimed at dysfunctional interpersonal relations in organizations. Interpersonal conflict may derive from substantive issues, such as disputes over work methods, or from interpersonal issues, such as miscommunication. The third-party intervener helps people resolve conflicts through such methods as problem solving, bargaining, and conciliation.

[Table 9.1]

Types of Interventions and Organization Levels

	Primary Organization Level Affected		
INTERVENTIONS	INDIVIDUAL	GROUP	ORGANIZATION
Human process (Part 3)			
Process consultation		X	
Third-party interventions	X	X	
Team building		X	
Organization confrontation meeting		X	X
Intergroup relations interventions		X	X
Large-group interventions			X
Technostructural (Part 4)			
Structural design			X
Downsizing			X
Reengineering		X	X
Parallel structures		X	X
Total quality management		X	X
High-involvement organizations	X	X	X
Work design	X	X	
Human resources management (Part 5)			
Goal setting	X	X	
Performance appraisal	X	X	
Reward systems	X	X	X
Coaching and mentoring	X		
Career planning and development interventions	X		
Management and leadership development	X		
Workforce diversity interventions	X	X	X
Employee stress and wellness interventions	X		
Strategic (Part 6)			
Integrated strategic change			X
Organization design			X
Culture change			X
Self-designing organizations		X	X
Organization learning and knowledge management		X	X
Built to change			X
Merger and acquisition integration			X
Strategic alliance interventions			X
Network Interventions			X

3. **Team building.** This intervention helps work groups become more effective in accomplishing tasks. Like process consultation, team building helps members diagnose group processes and devise solutions to problems. It goes beyond group processes, however, to include examination of the group's task, member roles, and strategies for performing tasks. The consultant also may function as a resource person offering expertise related to the group's task.

Chapter 13 presents human process interventions that are more systemwide than those described in Chapter 12. They typically focus on the total organization or an entire department, as well as on relations between groups. These include the following three change programs:

1. **Organization confrontation meeting.** This change method mobilizes organization members to identify problems, set action targets, and begin working on problems. It is usually applied when organizations are experiencing stress and when management needs to organize resources for immediate problem solving. The intervention generally includes various groupings of employees in identifying and solving problems.
2. **Intergroup relations.** These interventions are designed to improve interactions among different groups or departments in organizations. The microcosm group intervention involves a small group of people whose backgrounds closely match the organizational problems being addressed. This group addresses the problem and develops means to solve it. The intergroup conflict model typically involves a consultant helping two groups understand the causes of their conflict and choose appropriate solutions.
3. **Large-group interventions.** These interventions involve getting a broad variety of stakeholders into a large meeting to clarify important values, to develop new ways of working, to articulate a new vision for the organization, or to solve pressing organizational problems. Such meetings are powerful tools for creating awareness of organizational problems and opportunities and for specifying valued directions for future action.

Technostructural Interventions Part 4 of the book presents interventions focusing on an organization's technology (for example, task methods and job design) and structure (for example, division of labor and hierarchy). These change methods are receiving increasing attention in OD, especially in light of current concerns about productivity and organizational effectiveness. They include approaches to employee involvement, as well as methods for designing organizations, groups, and jobs. Technostructural interventions are rooted in the disciplines of engineering, sociology, and psychology and in the applied fields of sociotechnical systems and organization design. Practitioners generally stress both productivity and human fulfillment and expect that organization effectiveness will result from appropriate work designs and organization structures.[11]

In Chapter 14, we discuss the following three technostructural interventions concerned with restructuring organizations:

1. **Structural design.** This change process concerns the organization's division of labor—how to specialize task performances. Interventions aimed at structural design include moving from more traditional ways of dividing the organization's overall work (such as functional, self-contained unit, and matrix structures) to more integrative and flexible forms (such as process-based, customer-centric, and network-based structures). Diagnostic guidelines exist to determine which

structure is appropriate for particular organizational environments, technologies, and conditions.

2. **Downsizing.** This intervention reduces costs and bureaucracy by decreasing the size of the organization through personnel layoffs, organization redesign, and outsourcing. Each of these downsizing methods must be planned with a clear understanding of the organization's strategy.
3. **Reengineering.** This recent intervention radically redesigns the organization's core work processes to create tighter linkage and coordination among the different tasks. This workflow integration results in faster, more responsive task performance. Reengineering is often accomplished with new information technology that permits employees to control and coordinate work processes more effectively. Reengineering often fails if it ignores basic principles and processes of OD.

Chapter 15 is concerned with *employee involvement* (EI). This broad category of interventions is aimed at improving employee well-being and organizational effectiveness. It generally attempts to move knowledge, power, information, and rewards downward in the organization. EI includes parallel structures (such as cooperative union–management projects and quality circles), total quality management, and high-involvement plants.

Chapter 16 discusses *work design*. These change programs are concerned with designing work for work groups and individual jobs. The intervention includes engineering, motivational, and sociotechnical systems approaches that produce traditionally designed jobs and work groups; enriched jobs that provide employees with greater task variety, autonomy, and feedback about results; and self-managing teams that can govern their own task behaviors with limited external control.

Human Resources Management Interventions Part 5 of the book focuses on interventions used to develop, integrate, and support people in organizations. These practices include career planning, reward systems, goal setting, and performance appraisal—change methods that traditionally have been associated with the human resources function in organizations. In recent years, interest has grown in integrating human resources management with OD. Human resources management interventions are rooted in labor relations and in the applied practices of compensation and benefits, employee selection and placement, performance appraisal, and career development. Practitioners in this area typically focus on the people in organizations, believing that organizational effectiveness results from improved practices for integrating employees into organizations.

Chapter 17 deals with interventions concerning performance management, including the following change programs:

1. **Goal setting.** This change program involves setting clear and challenging goals. It attempts to improve organization effectiveness by establishing a better fit between personal and organizational objectives. Managers and subordinates periodically meet to plan work, review accomplishments, and solve problems in achieving goals.
2. **Performance appraisal.** This intervention is a systematic process of jointly assessing work-related achievements, strengths, and weaknesses. It is the primary human resources management intervention for providing performance feedback to individuals and work groups. Performance appraisal represents an important link between goal setting and reward systems.
3. **Reward systems.** This intervention involves the design of organizational rewards to improve employee satisfaction and performance. It includes innovative approaches to pay, promotions, and fringe benefits.

Chapter 18 focuses on these three change methods associated with developing organizational talent:

1. **Coaching and mentoring.** This intervention helps managers and executives to clarify their goals, deal with potential stumbling blocks, and improve their performance. It often involves a one-on-one relationship between the OD practitioner and the client and focuses on personal learning that gets transferred into organizational results and more effective leadership skills.
2. **Career planning and development.** This intervention helps people choose organizations and career paths and attain career objectives. It generally focuses on managers and professional staff and is seen as a way of improving the quality of their work life.
3. **Management and leadership.** Among the oldest strategies for organizational change, training and development interventions increase organization members' skills and knowledge. The focus of these interventions is on building the competencies needed to lead the organization in the future and includes traditional classroom lectures as well as simulations, action learning, and case studies.

Chapter 19 describes two interventions for supporting organization members:

1. **Managing workforce diversity.** This change program makes human resources practices more responsive to a variety of individual needs. Important trends, such as the increasing number of women, ethnic minorities, and physically and mentally challenged people in the workforce, require a more flexible set of policies and practices.
2. **Employee stress and wellness.** These interventions include employee assistance programs (EAPs) and stress management. EAPs are counseling programs that help employees deal with substance abuse and mental health, marital, and financial problems that often are associated with poor work performance. Stress management programs help workers cope with the negative consequences of stress at work. They help managers reduce specific sources of stress, such as role conflict and ambiguity, and provide methods for reducing such stress symptoms as hypertension and anxiety.

Strategic Interventions Part 6 of the book considers interventions that link the internal functioning of the organization to the larger environment and transform the organization to keep pace with changing conditions. These change programs are among the newest additions to OD. They are implemented organizationwide and bring about a fit between business strategy, structure, culture, and the larger environment. The interventions derive from the disciplines of strategic management, organization theory, economics, and anthropology.

In Chapter 20, we discuss interventions that transform the way the organization relates to its environment or operates internally:

1. **Integrated strategic change.** This comprehensive OD intervention describes how planned change can make a value-added contribution to strategic management. It argues that business strategies and organizational systems must be changed together in response to external and internal disruptions. A strategic change plan helps members manage the transition between a current strategy and organization design and the desired future strategic orientation.
2. **Organization design.** This intervention addresses the organization's architecture, or the extent to which structure, work design, human resource practices, and management and information systems are in alignment and support each other. It is a systemic view of the organization that attempts to direct member behavior in a consistent and strategic direction.

3. **Culture change.** This intervention helps organizations develop cultures (behaviors, values, beliefs, and norms) appropriate to their strategies and environments. It focuses on developing a strong organization culture to keep organization members pulling in the same direction.

Chapter 21 addresses strategic interventions that shape the collaborative strategies of organizations:

1. **Mergers and acquisitions.** This intervention describes how OD practitioners can assist two or more organizations to form a new entity. Addressing key strategic, leadership, and cultural issues prior to the legal and financial transaction helps to smooth operational integration.
2. **Alliances.** This collaborative intervention helps two organizations pursue a set of private and common goals through the sharing of resources, including intellectual property, people, capital, technology, capabilities, or physical assets. Effective alliance development generally follows a process of strategy formulation, partner selection, alliance structuring and start-up, and alliance operation and adjustment.
3. **Networks.** This intervention helps to develop relationships among three or more organizations to perform tasks or solve problems that are too complex for single organizations to resolve. It helps organizations recognize the need for partnerships and develop appropriate structures for implementing them. It also addresses how to manage change within existing networks.

In the final chapter of Part 6, we discuss three interventions that are designed to support continuous change:

1. **Self-designing organizations.** This change program helps organizations gain the capacity to alter themselves fundamentally. It is a highly participative process involving multiple stakeholders in setting strategic directions and designing and implementing appropriate structures and processes. Organizations learn how to design and implement their own strategic changes.
2. **Organization learning and knowledge management.** This intervention describes two interrelated change processes: organization learning (OL), which seeks to enhance an organization's capability to acquire and develop new knowledge, and knowledge management (KM), which focuses on how that knowledge can be organized and used to improve organization performance. These interventions move the organization beyond solving existing problems so as to become capable of continuous improvement.
3. **Built to change organizations.** This approach to continuous change challenges traditional design principles that view stability and equilibrium as the keys to success. These principles support the belief that change is costly and should be avoided. Built to change organizations, on the other hand, assume that the source of effectiveness is the ability to change continuously. The features, skills and knowledge, and processes of leading and managing these adaptable organizations are described.

SUMMARY

This chapter presented an overview of interventions currently used in OD. An intervention is a set of planned activities intended to help an organization improve its performance and effectiveness. Effective interventions are designed to fit the needs of the organization, are based on causal knowledge of intended outcomes, and transfer competence to manage change to organization members.

Intervention design involves understanding situational contingencies such as individual differences among organization members and dimensions of the change process itself. Four key organizational factors—readiness for change, capability to change, cultural context, and the capabilities of the change agent—affect the design and implementation of almost any intervention.

Furthermore, OD interventions seek to change specific features or parts of organizations. These targets of change can be classified based on the organizational issues that the intervention is intended to resolve and the level of organizational system at which the intervention is expected to have a primary impact. Four types of OD interventions are addressed in this book: (1) human process programs aimed at people within organizations and their interaction processes; (2) technostructural methods directed at organization technology and structures for linking people and technology; (3) human resources management interventions focused at integrating people into the organization successfully; and (4) strategic programs targeted at how the organization uses its resources to gain a competitive advantage in the larger environment. For each type of intervention, specific change programs at different organization levels are discussed in Parts 3 through 6 of this book.

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10

Leading and Managing Change

After diagnosis reveals the causes of problems or identifies opportunities for development, organization members begin planning and subsequently leading and implementing the changes necessary to improve organization effectiveness and performance. A large part of OD is concerned with interventions for improving organizations. The previous chapter discussed the design of interventions and introduced the major ones currently used in OD. Chapters 12 through 20 describe those interventions in detail. This chapter addresses the key activities associated with successfully leading and managing organizational changes.

Change can vary in complexity from the introduction of relatively simple processes into a small work group to transforming the strategies and design features of the whole organization. Although change management differs across situations, in this chapter we discuss tasks that must be performed in managing any kind of organizational change. (Tasks applicable to specific kinds of changes are examined in the chapters on intervention in Parts 3 through 6.)

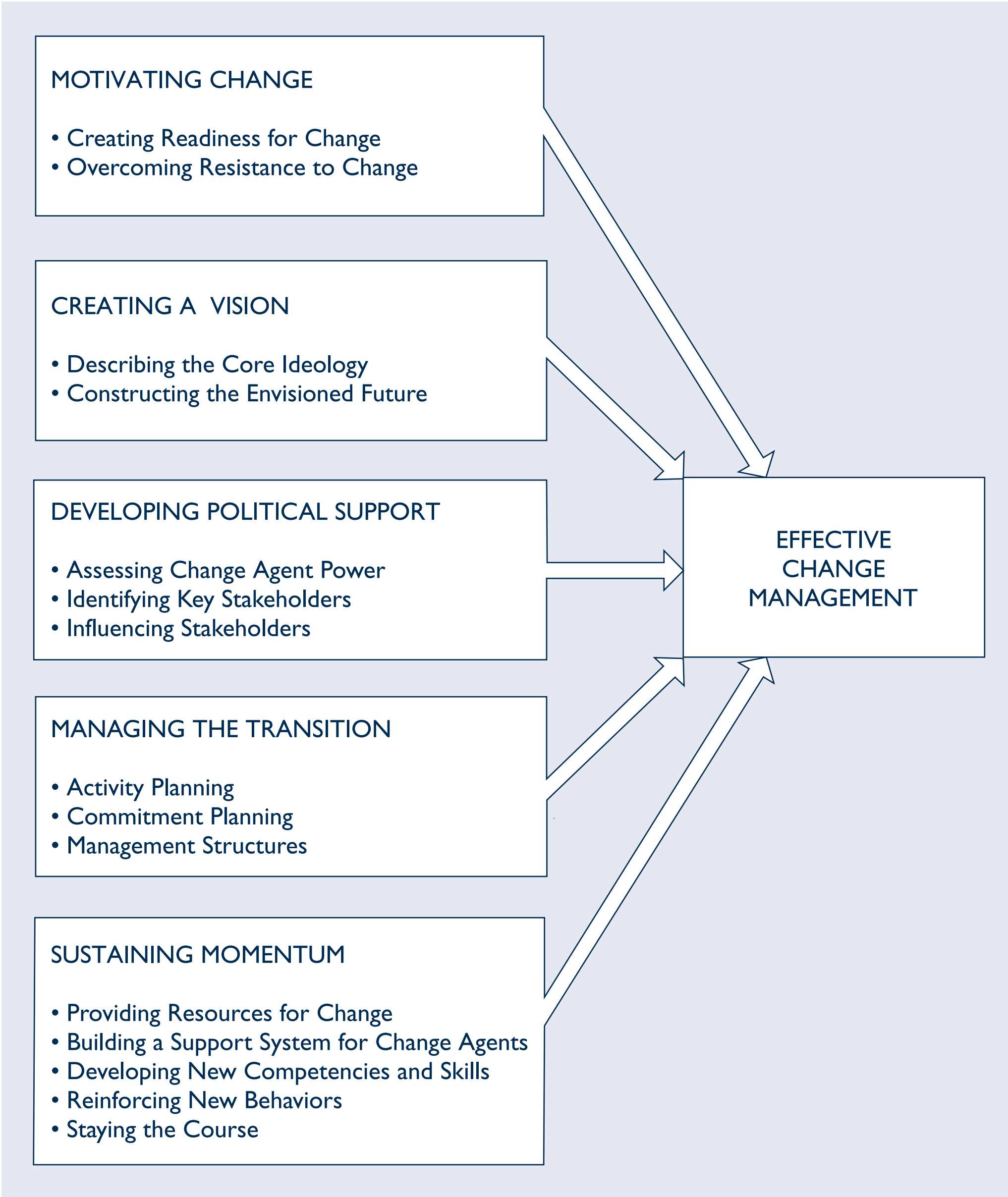
OVERVIEW OF CHANGE ACTIVITIES

The OD literature has directed considerable attention at leading and managing change. Much of the material is highly prescriptive, advising managers about how to plan and implement organizational changes. For example, one study suggested that successful managers in continuously changing organizations (1) provide employees with clear responsibility and priorities, including extensive communication and freedom to improvise; (2) explore the future by experimenting with a wide variety of low-cost probes; and (3) link current projects to the future with predictable (time-paced rather than event-paced) intervals and choreographed transition procedures.[1] Traditionally, change management has focused on identifying sources of resistance to change and offering ways to overcome them.[2] Other contributions have challenged the focus on resistance and have been aimed at creating visions and desired futures, gaining political support for them, and managing the transition of the organization toward them.[3] Still others have described the learning practices and leader behaviors that accelerate complex change.[4]

The diversity of practical advice for managing change can be organized into five major activities, as shown in Figure 10.1. The activities contribute to effective change management and are listed roughly in the order in which they typically are performed. Each activity represents a key element in change leadership.[5] The first activity involves *motivating change* and includes creating a readiness for change among organization members and helping them address resistance to change. Leadership must create an environment in which people accept the need for change and commit physical and

[Figure 10.1]

Activities Contributing to Effective Change Management



psychological energy to it. Motivation is a critical issue in starting change because ample evidence indicates that people and organizations seek to preserve the status quo and are willing to change only when there are compelling reasons to do so. The second activity is concerned with *creating a vision* and is closely aligned with leadership activities. The vision provides a purpose and reason for change and describes the desired future state. Together, they provide the "why" and "what" of planned change. The third activity involves *developing political support* for change. Organizations are composed of powerful individuals and groups that can either block or promote change, and leaders and change agents need to gain their support to implement changes. The fourth

activity is concerned with *managing the transition* from the current state to the desired future state. It involves creating a plan for managing the change activities as well as planning special management structures for operating the organization during the transition. The fifth activity involves *sustaining momentum* for change so that it will be carried to completion. This includes providing resources for implementing the changes, building a support system for change agents, developing new competencies and skills, and reinforcing the new behaviors needed to implement the changes.

Each of the activities shown in Figure 10.1 is important for managing change. Although little research has been conducted on their relative contributions, organizational leaders must give careful attention to each activity when planning and implementing organizational change. Unless individuals are motivated and committed to change, getting movement on the desired change will be extremely difficult. In the absence of vision, change is likely to be disorganized and diffuse. Without the support of powerful individuals and groups, change may be blocked and possibly sabotaged. Unless the transition process is managed carefully, the organization will have difficulty functioning while it moves from the current state to the future state. Without efforts to sustain momentum for change, the organization will have problems carrying the changes through to completion. Thus, all five activities must be managed effectively to realize success.

In the following sections of this chapter, we discuss more fully each of these change activities, directing attention to how leaders contribute to planning and implementing organizational change.

MOTIVATING CHANGE

Organizational change involves moving from the known to the unknown. Because the future is uncertain and may adversely affect people's competencies, worth, and coping abilities, organization members generally do not support change unless compelling reasons convince them to do so. Similarly, organizations tend to be heavily invested in the status quo, and they resist changing it in the face of uncertain future benefits. Consequently, a key issue in planning for action is how to motivate commitment to organizational change. As shown in Figure 10.1, this requires attention to two related tasks: creating readiness for change and overcoming resistance to change.

Creating Readiness for Change

One of the more fundamental axioms of OD is that people's readiness for change depends on creating a felt need for change. This involves making people so dissatisfied with the status quo that they are motivated to try new work processes, technologies, or ways of behaving. Creating such dissatisfaction can be difficult, as anyone knows who has tried to lose weight, stop smoking, or change some other habitual behavior. Generally, people and organizations need to experience deep levels of hurt before they will seriously undertake meaningful change. For example, IBM, GM, and Sears experienced threats to their very survival before they undertook significant change programs. The following three methods can help generate sufficient dissatisfaction to produce change:

1. **Sensitize organizations to pressures for change.** Innumerable pressures for change operate both externally and internally to organizations. As described in Chapter 1, modern organizations face unprecedented environmental pressures to change themselves, including heavy foreign competition, rapidly changing technology, and the draw of global markets. Internal pressures to change include new leadership, poor product quality, high production costs, and excessive employee

absenteeism and turnover. Before these pressures can serve as triggers for change, however, organizations must be sensitive to them. The pressures must pass beyond an organization's threshold of awareness if managers are to respond to them. Many organizations, such as Kodak, Polaroid, and Northwest Airlines, set their thresholds of awareness too high and neglected pressures for change until those pressures reached disastrous levels.[6]

Organizations can make themselves more sensitive to pressures for change by encouraging leaders to surround themselves with devil's advocates; by cultivating external networks that comprise people or organizations with different perspectives and views; by visiting other organizations to gain exposure to new ideas and methods; and by using external standards of performance, such as competitors' progress or benchmarks, rather than the organization's own past standards of performance.[7] At Wesley Long Community Hospital, in Greensboro, North Carolina, for example, managers visited the Ritz-Carlton Hotel, Marconi Commerce Systems' high-involvement plant, and other hospitals known for high quality to gain insights about revitalizing their own organization.

2. **Reveal discrepancies between current and desired states.** In this approach to generating a felt need for change, information about the organization's current functioning is gathered and compared with desired states of operation. (See "Creating a Vision," below, for more information about desired future states.) These desired states may include organizational goals and standards, as well as a general vision of a more desirable future state.[8] Significant discrepancies between actual and ideal states can motivate organization members to initiate corrective changes, particularly when members are committed to achieving those ideals. A major goal of diagnosis, as described in Chapters 5 and 6, is to provide members with feedback about current organizational functioning so that the information can be compared with goals or with desired future states. Such feedback can energize action to improve the organization. At Waste Management, Sunbeam, and Banker's Trust, for example, financial statements had reached the point at which it was painfully obvious that drastic renewal was needed.[9]
3. **Convey credible positive expectations for the change.** Organization members invariably have expectations about the results of organizational changes. The positive approaches to planned change described in Chapter 2 suggest that these expectations can play an important role in generating motivation for change.[10] Expectations can serve as a self-fulfilling prophecy, leading members to invest energy in change programs that they expect will succeed. When members expect success, they are likely to develop greater commitment to the change process and to direct more energy into the constructive behaviors needed to implement it.[11] The key to achieving these positive effects is to communicate realistic, positive expectations about the organizational changes. Research suggests that information about why the change is occurring, how it will benefit the organization, and how people will be involved in the design and implementation of the change was most helpful.[12] Organization members also can be taught about the benefits of positive expectations and be encouraged to set credible positive expectations for the change program.

Overcoming Resistance to Change

Change can generate deep resistance in people and in organizations, thus making it difficult, if not impossible, to implement organizational improvements.[13] At a personal level, change can arouse considerable anxiety about letting go of the known and moving to an uncertain future.[14] People may be unsure whether their existing skills and contributions will be valued in the future, or may have significant questions about whether they can learn to function effectively and to achieve benefits in the

new situation. At the organization level, resistance to change can come from three sources.[15] *Technical resistance* comes from the habit of following common procedures and the consideration of sunk costs invested in the status quo. *Political resistance* can arise when organizational changes threaten powerful stakeholders, such as top executive or staff personnel, or call into question the past decisions of leaders.[16] Organization change often implies a different allocation of already scarce resources, such as capital, training budgets, and good people. Finally, *cultural resistance* takes the form of systems and procedures that reinforce the status quo, promoting conformity to existing values, norms, and assumptions about how things should operate.

There are at least three major strategies for dealing with resistance to change:[17]

1. **Empathy and support.** A first step in overcoming resistance is learning how people are experiencing change. This strategy can identify people who are having trouble accepting the changes, the nature of their resistance, and possible ways to overcome it, but it requires a great deal of empathy and support. It demands a willingness to suspend judgment and to see the situation from another's perspective, a process called *active listening.* When people feel that those people who are responsible for managing change are genuinely interested in their feelings and perceptions, they are likely to be less defensive and more willing to share their concerns and fears. This more open relationship not only provides useful information about resistance but also helps establish the basis for the kind of joint problem solving needed to overcome barriers to change.
2. **Communication.** People resist change when they are uncertain about its consequences. Lack of adequate information fuels rumors and gossip and adds to the anxiety generally associated with change. Effective communication about changes and their likely results can reduce this speculation and allay unfounded fears. It can help members realistically prepare for change. However, communication is also one of the most frustrating aspects of managing change. Organization members constantly receive data about current operations and future plans as well as informal rumors about people, changes, and politics. Managers and OD practitioners must think seriously about how to break through this stream of information. One strategy is to make change information more salient by communicating through a new or different channel. If most information is delivered through memos and emails, then change information can be delivered through meetings and presentations. Another method that can be effective during large-scale change is to deliberately substitute change information for normal operating information. This sends a message that changing one's activities is a critical part of one's job.
3. **Participation and involvement.** One of the oldest and most effective strategies for overcoming resistance is to involve organization members directly in planning and implementing change. Participation can lead both to designing high-quality changes and to overcoming resistance to implementing them.[18] Members can provide a diversity of information and ideas, which can contribute to making the innovations effective and appropriate to the situation. They also can identify pitfalls and barriers to implementation. Involvement in planning the changes increases the likelihood that members' interests and needs will be accounted for during the intervention. Consequently, participants will be committed to implementing the changes because doing so will suit their interests and meet their needs. Moreover, for people having strong needs for involvement, the act of participation itself can be motivating, leading to greater effort to make the changes work.[19]

Application 10.1 describes how an OD consultant helped the sexual violence prevention unit of the Minnesota Department of Health generate commitment to a change process when the unit's leader left shortly after the change process began.[20]

application 10.1

Motivating Change in the Sexual Violence Prevention Unit of Minnesota's Health Department

Addressing the prevention of sexual violence is a complex challenge. Unlike cigarette smoking or automobile accidents, sexual violence is not only a health issue, but a social issue connected to people's attitudes, beliefs, norms, and taboos. The sexual violence prevention unit of Minnesota's health department decided to undertake a five-year strategic planning effort to address the "primary prevention" of sexual violence. Primary prevention is defined as activities that focus on preventing sexual violence *before* it occurs. While there have been numerous successful investments focused on dealing with victims or addressing what happens after an assault, there was a clear need for primary prevention.

There were two driving forces for the plan. First, the Centers for Disease Control had identified sexual violence as a key health issue and was providing grants to states for the development of primary prevention plans. Second, Minnesota was a recognized leader in sexual violence prevention work. The health department worked closely with the Minnesota Coalition Against Sexual Violence (MNCASA), a primary recipient of state funding, and other stakeholders who were working on sexual violence prevention. This coalition had been meeting for several years to develop education in primary prevention and to engage in a cross-sector dialogue on the issue.

The two primary objectives of the project were to:

- Create a strategic plan for the primary prevention of sexual violence in the state of Minnesota.
- Mobilize a broad range of individuals and organizations to take action in the primary prevention of sexual violence.

This application describes the activities associated with motivating change within the sexual violence prevention unit to create the strategic planning process. Application 10.3 describes the activities associated with managing the various stakeholders involved with this change and the large-group intervention that kicked off the strategic planning and implementation effort.

Beginning the Project

The sexual violence prevention unit hired a local OD consulting firm to facilitate the strategic planning process. Everyone in the unit believed that strategic planning was the next right step. Community members wanted action. In fact, they had stopped meeting in a dialogue forum because they felt they were not making progress in addressing the issue systemically or strategically.

The project got off to a rough start. The day after the OD consultant began working with the unit, the unit director resigned. She had been a major force in bringing the project to fruition, and her departure represented a key challenge for the consultants. In the interim, the unit's program director and administrator stepped in to provide content leadership with the help of the director of MNCASA. Her departure also created a strong need to mobilize the members of the unit and to recruit the necessary external stakeholders with content knowledge and community reputation to galvanize action in the community.

To focus the key stakeholders on the change effort, the OD consultants met with the departing director to identify a range of community stakeholders to interview. The interviews were critical in building the consultants' knowledge of the issue and quickly establishing relationships with key stakeholders. They also helped identify community members who could provide leadership on the project.

Motivating Commitment

As part of the internal effort to reinforce commitment to the change process, a steering committee was formed. It consisted of project leaders from the health department, the OD consultants, and six community members. This committee was responsible for identifying and recruiting other internal and external stakeholders to participate in the planning process. They also served as advisors to the OD consultants on selecting the best forum to conduct the planning, reviewing draft agendas, and providing feedback on plan drafts. They were asked to convene for two meetings as well as provide input on plans and written reports virtually.

All of the steering committee members were volunteers recruited by the project leaders and OD consultants after the initial interviews. The OD consultants were part of the identification and recruitment process because they had formed relationships with several of the members through previous work and had established strong rapport through their interviews. The community members of the committee were chosen not only because of their expertise and history in the field, locally and nationally, but because they had good process skills. Another criterion for participation was diversity. It was important that this group include members who could speak for underrepresented groups, such as Native American, Hispanic, African American, and youth segments. Everyone who was asked to participate wanted to be part of this effort.

Despite this high level of commitment to the project, time was a big constraint. To use time well, the consultants asked for two meetings. In between meetings, they drafted proposals for the group to react to, rather than asking members to decide on the work to be done by the group. When members could not be at a meeting, the consultants got their input individually, both before and after the meeting. Because of their commitment to prevention, all of the steering committee members stayed in close contact with the consultants and responded promptly to all requests.

CREATING A VISION

The second activity in leading and managing change involves creating a vision of what members want the organization to look like or become. It is one of the most popular yet least understood practices in management.[21] Generally, a vision describes the core values and purpose that guide the organization as well as an envisioned future toward which change is directed. It provides a valued direction for designing, implementing, and assessing organizational changes. The vision also can energize commitment to change by providing members with a common goal and a compelling rationale for why change is necessary and worth the effort. However, if the vision is seen as impossible or promotes changes that the organization cannot implement, it actually can depress member motivation. For example, George Bush's unfulfilled "thousand points of light" vision was emotionally appealing, but it was too vague and contained little inherent benefit. In contrast, John Kennedy's vision of "putting a man on the moon and returning him safely to the earth" was just beyond engineering and technical feasibility. In the context of the 1960s, it was bold, alluring, and vivid; it provided not only a purpose but a valued direction for the country. Recent research suggests that corporations with carefully crafted visions can significantly outperform the stock market over long periods of time.[22]

Creating a vision is considered a key element in most leadership frameworks.[23] Organization or subunit leaders are responsible for effectiveness, and they must take an active role in describing a desired future and energizing commitment to it. In the best cases, leaders encourage participation in developing the vision to gain wider input and support. For example, they involve subordinates and others who have a stake in the changes. The popular media frequently offer accounts of executives who have helped to mobilize and direct organizational change, including Nobuhiko Kawamoto of Honda and Jack Welch at General Electric. Describing a desired future is no less

important for people leading change in small departments and work groups than for senior executives. At lower organizational levels, there are ample opportunities to involve employees directly in the visioning process.

Developing a vision is heavily driven by people's values and preferences for what the organization should look like and how it should function. The envisioned future represents people's ideals, fantasies, or dreams of what they would like the organization to look like or become. Unfortunately, dreaming about the future is discouraged in most organizations because it requires creative and intuitive thought processes that tend to conflict with the rational, short-term, analytical methods prevalent there.[24] Consequently, leaders may need to create special conditions in which to describe a desired future, such as off-site workshops or exercises that stimulate creative thinking.

Research suggests that compelling visions are composed of two parts: (1) a relatively stable identity or core ideology that describes the organization's core values and purpose, and (2) an envisioned future with bold goals and a vivid description of the desired future state that reflects the specific change under consideration.[25]

Describing the Core Ideology

The fundamental basis of a vision for change is the organization's core ideology. It describes the organization's core values and purpose and is relatively stable over time. *Core values* typically include three to five basic principles or beliefs that have stood the test of time and best represent what the organization stands for. Although the vision ultimately describes a desired future, it must acknowledge the organization's historical roots—the intrinsically meaningful core values and principles that have guided and will guide the organization over time. Core values are not "espoused values"; they are the "values in use" that actually inform members what is important in the organization. The retailer Nordstrom, for example, has clear values around the importance of customer service; toymaker Lego has distinct values around the importance of families; and the Disney companies have explicit values around wholesomeness and imagination. These values define the true nature of these firms and cannot be separated from them. Thus, core values are not determined or designed; they are discovered and described through a process of inquiry.

Members can spend considerable time and energy discovering their organization's core values through long discussions about organizational history, key events, founder's beliefs, the work people actually do, and the "glue" that holds the organization together.[26] In many cases, organizations want the core values to be something they are not. For example, many U.S. firms want "teamwork" to be a core value despite strong cultural norms and organizational practices that reward individuality.

The organization's *core purpose* is its reason for being, the idealistic motivation that brings people to work each day and gives work meaning.[27] A core purpose is not a strategy. Purpose describes why the organization exists and the organization's understanding of its image, brand, and reputation; strategy describes how an objective will be achieved. Research suggests that organization purposes may fall into one of four categories and that organizations often create a slogan or metaphor that captures the real reason they are in business.[28] For example, Heroism, refers to a purpose that exorts members to do great things. Dell Computer, Microsoft, and Ford were all founded to change the world for the better. Henry Ford wanted to "build a machine to improve the world." Discovery, a core purpose for Apple, Sony, and 3M, refers to an innate desire to learn new things. A third purpose, Altruism, infers a belief in serving others. Disney's return to prominence in the late 1980s and 1990s was guided by the essential purpose of "making people happy" and Whole Foods, Ben and Jerry's, and The Body Shop all take on the responsibility of being serving the greater good. Tata Corporation's purpose of "what India needs next" has supported their growth for over 100 years. Finally, Bershire Hathaway and Toyota reflect the purpose of Excellence.

Hatch's concept of organization identity is simlar to purpose and core ideology.[29] Identity—the way core values, purpose, brand, and reputation are integrated—provides guidelines for the strategic choices that will work and can be implemented versus those that will not work because they contradict the true nature of the organization. Lawler and Worley suggested that the real power of an organization's identity was its ability to consistently support and encourage change even though identity itself remained fairly stable.[30] An envisioned future can be compelling and emotionally powerful to members only if it aligns with and supports the organization's core values, purpose, and identity.[31]

Constructing the Envisioned Future

The core ideology provides the context for the envisioned future. Unlike core values and purpose, which are stable aspects of the organization and must be discovered, the envisioned future is specific to the change project at hand and must be created. The envisioned future varies in complexity and scope depending on the changes being considered. A relatively simple upgrading of a work group's word-processing software requires a less complex envisioned future than the transformation of a government bureaucracy.

The envisioned future typically includes the following two elements that can be communicated to organization members:[32]

1. **Bold and valued outcomes.** Descriptions of envisioned futures often include specific performance and human outcomes that the organization or unit would like to achieve. These valued outcomes can serve as goals for the change process and standards for assessing progress. For example, BHAGs (Big, Hairy, Audacious Goals) are clear, tangible, energizing targets that serve as rallying points for organization action. They can challenge members to meet clear target levels of sales growth or customer satisfaction, to overcome key competitors, to achieve role-model status in the industry, or to transform the organization in some meaningful way. For example, in 1990 Wal-Mart Stores made a statement of intent "to become a $125 billion company by the year 2000." (Net sales in 1999 exceeded $137.6 billion.) Following the downsizing of the U.S. military budget, Rockwell proposed the following bold outcome for its change efforts: "Transform this company from a defense contractor into the best diversified high-technology company in the world."
2. **Desired future state.** This element of the envisioned future specifies, in vivid detail, what the organization should look like to achieve bold and valued outcomes. It is a passionate and engaging statement intended to draw organization members into the future. The organizational features described in the statement help define a desired future state toward which change activities should move. This aspect of the visioning process is exciting and compelling. It seeks to create a word picture that is emotionally powerful to members and motivates them to change.

Application 10.2 describes how Premier recognized the need for change and built a vision of the future for their organization.[33]

DEVELOPING POLITICAL SUPPORT

From a political perspective, organizations can be seen as loosely structured coalitions of individuals and groups having different preferences and interests.[34] For example, shop-floor workers may want secure, high-paying jobs, and top executives may be interested in diversifying the organization into new businesses. The marketing department might be interested in developing new products and markets, and the production department may want to manufacture standard products in the most efficient ways.

Creating a Vision at Premier

Premier (http://www.premierinc.com) is a leading health care alliance collectively owned by more than 200 independent hospitals and health care systems in the United States. Together, the owners operate or are affiliated with nearly 1,500 hospitals and other health care sites. Premier resulted from the 1995 merger of Chicago-based Premier Health Alliance, San Diego-based American Healthcare Systems, and The SunHealth Alliance of Charlotte, North Carolina. Premier offers a comprehensive array of services and products through its companies and business units, including group purchasing, consulting services, technology management services, insurance services, benchmarking and market intelligence services, and legislative advocacy.

Two and a half years after the organization's formation, a comprehensive organizational assessment suggested that Premier had not been successful in establishing a common organizational culture. Many of its services and employees continued to operate in a fractured or isolated fashion relating largely to their prior organization and its geographic location. As a result, Premier's strategy and business model were poorly understood, and more importantly, not well implemented. The assessment pointed to a growing lack of trust in the organization. Premier executives conceded that the organization was culturally adrift and without a well-understood or widely accepted sense of direction.

Another key finding of the assessment concerned the organization's vision. Shortly after the merger, a new set of values, mission, and vision statements had been developed. The statements themselves were clear and compelling; however, they had been developed by a relatively small group of executives. At best, most employees did not feel much ownership of the values; at worst, they saw the failure of top management to behave consistently with the values as evidence that they were not trusted, supported, or important.

In the fall of 1997, Premier hired Richard Norling as COO. Norling had been a chief executive at one of the health care systems that owned Premier, and his arrival signaled the potential for change and new possibilities. At his former organization, Norling had initiated and sustained a comprehensive OD effort, based on identifying core organizational values and the behaviors that supported them. The experience of that health care system had demonstrated that core values shaped and accepted by an organization's employees could build a deep sense of community in the organization, and lead to greater levels of trust and commitment that could be harnessed to enhance organization performance and effectiveness. Given Premier's emerging problem, a similar approach made sense.

In the spring of 1998, Premier executives determined to address these issues by building on the values and mission statements that had been developed earlier. Their intent was to involve a large number of employees in validating Premier's values, specifying the behaviors that supported them, and identifying ways in which the values could be integrated into the routines and processes of the organization—all of which would (they hoped) infect the organization with a renewed sense of identity and enthusiasm.

The first step in Premier's change process was planning and conducting a three-day 200-employee values conference. The conference was designed by a team of employees representing a diagonal slice of the organization and assisted by an OD practitioner. At the conference, employees examined Premier's business model and their organizational culture; developed and recommended a set of core organizational values for the organization; crafted an envisioned future; and identified and proposed strategies for employee involvement, integration, and organization transformation companywide.

Following the conference, the team of Premier employees who had planned the meeting was asked to become a permanent committee, charged with refining and implementing plans and recommendations that the conference participants had generated.

Ultimately, input was obtained from over 60% of the workforce and 16 actions were recommended and approved by senior management. Some of those actions included:

- Incorporating the values into Premier's performance management/performance appraisal system
- Incorporating the values into the recruitment and selection process by developing sample interview questions for use by hiring managers aimed at helping them learn whether prospective employees would be a good match to Premier's organizational culture

- Instituting an annual meeting of approximately 200 employees from all parts of Premier modeled after the 1998 values conference. The agenda should be focused on business issues, strategy, and organizational culture and values. Rotate those invited so that every Premier employee has an opportunity to attend every three to five years.

The outcome of the vision and values effort follows:

PREMIER

FOUNDATION STATEMENTS

Core Ideology

Core Values

- Integrity of the individual and the enterprise
- A passion for performance and a bias for action, creating real value for all stakeholders, and leading the pace
- Innovation: seeking breakthrough opportunities, taking risks, and initiating meaningful change
- Focus on people: showing concern and respect for all with whom we work, building collaborative relationships with the community, our customers, co-workers, and business associates

Core Purpose

To improve the health of communities

Core Roles of the Enterprise

- Improve quality, reduce costs
- Improve financial health
- Create value for owners
- Improve organizational health
- Facilitate knowledge transfer
- Grow the enterprise

Envisioned Future

10–30 Year Goal

Premier's owners will be the leading health care systems in their markets, and, with them, Premier will be the major influence in reshaping health care

Vivid Description

By the year 2020,we will have changed the world's view of U.S. health care to "the best and most cost-effective" at sustaining the good health of populations. In the United States, the health care industry will be considered the best managed and most innovative of all the economic sectors.

Across the nation, our owners, physicians, and other allies will lead the local transformations that are the building blocks of a reshaped health care system. These transformations will begin to make *public health and health services* indistinguishable, engaging citizens and civic resources in endeavors that attack the causes of illness and injury. Through efforts that go far beyond providing treatment, people will have a sense of responsibility for their own personal health and the health of their communities.

Together in Premier, we will invent new and superior models of delivering health services, and we will leverage the size, linkages, and resources of Premier to deliver those services to more people, at a lower cost and higher quality, than any others. Our owners will operate at costs in the lowest quarter among all similar organizations at quality levels in the highest quarter. We will research and use the most effective and seamless clinical approaches to achieve superior health outcomes and increased values. Our competitive edge will be the unmatched ability to transfer and act on our collective experience and innovation.

Our owners will earn recognition as the most valued community resource for health. As a result of their efforts,"Premier" will be viewed as the hallmark of quality and value that all others seek to emulate. When people see our emblem, they will associate it with health care improvement and advances in health status.

Demonstrating a better way and supported by our constituencies, we will build consensus for national policy directions that stimulate and reward health and healthy communities.

We will indeed be *premier.*

These different groups or coalitions compete with one another for scarce resources and influence. They act to preserve or enhance their self-interests while managing to arrive at a sufficient balance of power to sustain commitment to the organization and achieve overall effectiveness.

Given this political view, attempts to change the organization often threaten the balance of power among groups, thus resulting in political conflicts and struggles.[35] Individuals and groups will be concerned with how the changes affect their own power and influence, and they will act accordingly. Some groups will become less powerful; others will gain influence. Those whose power is threatened by the change will act defensively and seek to preserve the status quo. For example, they may try to present compelling evidence that change is unnecessary or that only minor modifications are needed. On the other hand, those participants who will gain power from the changes will push heavily for them, perhaps bringing in seemingly impartial consultants to legitimize the need for change. Consequently, significant organizational changes are frequently accompanied by conflicting interests, distorted information, and political turmoil.

Methods for managing the political dynamics of organizational change are relatively recent additions to OD. Traditionally, OD has neglected political issues mainly because its humanistic roots promoted collaboration and power sharing among individuals and groups.[36] Today, change agents are paying increased attention to power and political activity, particularly as they engage in strategic change involving most parts and features of organizations. Some practitioners are concerned, however, about whether power and OD are compatible.

A growing number of advocates suggest that OD practitioners can use power in positive ways.[37] They can build their own power base to gain access to other power holders within the organization. Without such access, those who influence or make decisions may not have the advantage of an OD perspective. OD practitioners can use power strategies that are open and aboveboard to get those in power to consider OD applications. They can facilitate processes for examining the uses of power in organizations and help power holders devise more creative and positive strategies than political bargaining, deceit, and the like. They can help power holders confront the need for change and can help ensure that the interests and concerns of those with less power are considered. Although OD professionals can use power constructively in organizations, they probably will continue to be ambivalent and tense about whether such uses promote OD values and ethics or whether they represent the destructive, negative side of power. That tension seems healthy, and we hope that it will guide the wise use of power in OD.

As implied in Figure 10.2, managing the political dynamics of change includes the following activities: assessing the change agent's power, identifying key stakeholders, and influencing stakeholders.

Assessing Change Agent Power

The first task is to evaluate the change agent's own sources of power. This agent may be the leader of the organization or department undergoing change, or he or she may be the OD consultant if professional help is being used. By assessing their own power base, change agents can determine how to use it to influence others to support changes. They also can identify areas in which they need to enhance their sources of power.

Greiner and Schein, in the first OD book written entirely from a power perspective, identified three key sources of personal power in organizations (in addition to one's formal position): knowledge, personality, and others' support.[38] Knowledge bases of power include having expertise that is valued by others and controlling important information. OD professionals typically gain power through their expertise in organizational change.

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Personality sources of power can derive from change agents' charisma, reputation, and professional credibility. Charismatic leaders can inspire devotion and enthusiasm for change from subordinates. OD consultants with strong reputations and professional credibility can wield considerable power during organizational change. Others' support can contribute to individual power by providing access to information and resource networks. Others also may use their power on behalf of the change agent. For example, leaders in organizational units undergoing change can call on their informal networks for resources and support, and encourage subordinates to exercise power in support of the change.

Identifying Key Stakeholders

Having assessed their own power bases, change agents should identify powerful individuals and groups with an interest in the changes, such as staff groups, unions, departmental managers, and top-level executives. These key stakeholders can thwart or support change, and it is important to gain broad-based support to minimize the risk that a single interest group will block the changes. As organizations have become more global, networked, and customer focused, and change has become more strategic, it is also important to identity key external stakeholders. Customers, regulatory agencies, suppliers, and the local community, for example, can exert considerable influence over change.

Identifying key stakeholders can start with the simple question, "Who stands to gain or to lose from the changes?" Once stakeholders are identified, creating a map of their influence may be useful.[39] The map could show relationships among the stakeholders in terms of who influences whom and what the stakes are for each party. This would provide change agents with information about which people and groups need to be influenced to accept and support the changes.

Influencing Stakeholders

This activity involves gaining the support of key stakeholders to motivate a critical mass for change. There are at least three major strategies for using power to influence others in OD: playing it straight, using social networks, and going around the formal system.[40] Figure 10.2 links these strategies to the individual sources of power discussed above.

The strategy of playing it straight is very consistent with an OD perspective, and thus it is the most widely used power strategy in OD. It involves determining the needs of particular stakeholders and presenting information about how the changes can benefit them. This relatively straightforward approach is based on the premise that information and knowledge can persuade people about the need and direction for change. The success of this strategy relies heavily on the change agent's knowledge base. He or she must have the expertise and information to persuade stakeholders that the changes are a logical way to meet their needs. For example, a change agent might present diagnostic data, such as company reports on productivity and absenteeism or surveys of members' perceptions of problems, to generate a felt need for change among specific stakeholders. Other persuasive evidence might include educational material and expert testimony, such as case studies and research reports, demonstrating how organizational changes can address pertinent issues.

The second power strategy, using social networks, is more foreign to OD and involves forming alliances and coalitions with other powerful individuals and groups, dealing directly with key decision makers, and using formal and informal contacts to gain information. In this strategy, change agents attempt to use their social relationships to gain support for changes. As shown in Figure 10.2, they use the individual power base of others' support to gain the resources, commitment, and political momentum needed to implement change. This social networking might include, for example, meeting with other powerful groups and forming alliances to support specific changes. This would likely involve ensuring that the interests of the different parties—labor and management, for example—are considered in the change process. Many union and management quality-of-work-life efforts involve forming such alliances. This strategy also might include using informal contacts to discover key roadblocks to change and to gain access to major decision makers who need to sanction the changes.

The power strategy of going around the formal system is probably least used in OD and involves purposely circumventing organizational structures and procedures to get the changes made. Existing organizational arrangements can be roadblocks to change, and working around the barriers may be more expedient and effective than taking the time and energy to remove them. As shown in Figure 10.2, this strategy relies on a strong personality base of power. The change agent's charisma, reputation, or professional credibility lend legitimacy to going around the system and can reduce the likelihood of negative reprisals. For example, managers with reputations as winners often can bend the rules to implement organizational changes. Their judgment is trusted by those whose support they need to enact the changes. This power strategy is relatively easy to abuse, however, and OD practitioners should consider carefully the ethical issues and possible unintended consequences of circumventing formal policies and practices.

Application 10.3 shows how Minnesota's sexual violence prevention unit recruited external and internal stakeholders into the strategic planning process. They used the social networks of people with clear interests in the subject to support the planning and implementation of change.

MANAGING THE TRANSITION

Implementing organization change involves moving from an existing organization state to a desired future state. Such movement does not occur immediately but, as shown in Figure 10.3, instead requires a transition period during which the organization learns how to implement the conditions needed to reach the desired future. Beckhard and Harris pointed out that the transition may be quite different from the present state of the organization and consequently may require special management structures and activities.[41] They identified three major activities and structures to facilitate organizational transition: activity planning, commitment planning, and change-management structures. A fourth set of activities involves managing the learning process during change.

Developing Political Support for the Strategic Planning Project in the Sexual Violence Prevention Unit

Application 10.1 described the beginning of the sexual violence prevention unit's project to develop a five-year plan for primary prevention. The plan's unique purpose was to mobilize statewide efforts to prevent sexual violence before it occurs. In this application, the process that the committee used to identify and manage the political stakeholders—both internal and external—is described.

Identifying and Recruiting Stakeholder Participation

The steering committee interviewed representatives from various stakeholder groups, coalitions, and state agencies. The results of the interviews suggested (1) a need for broad involvement, especially from underrepresented groups, such as communities of color, immigrant communities, gay and lesbian groups, and youth and (2) a desire among those involved to move from a period of dialogue and education toward taking collective action.

In response to this data, the OD consultant proposed a two-day strategic planning retreat for a large group of stakeholders. This format was selected because of the strong desire voiced in the interviews to get to action. The steering committee confirmed this approach was preferable to stretching the planning over weeks of shorter meetings.

The unit administrator was essential in pulling together the list of stakeholders who were invited to participate. The goal was to get as many stakeholders as possible involved, and she knew the majority of people who were active in sexual violence prevention work in the state. The steering committee reviewed and augmented the initial list to create a diverse group of 80 stakeholders to invite to the retreat. This group included people from the many groups, coalitions, state agencies, and underrepresented communities across Minnesota.

Invitations to attend the retreat were sent out via email. The OD consultants crafted the invitation and the Health Unit Director sent them out. The steering committee members also contacted personally any invitees they knew and encouraged them to attend. The Health Unit Administrator was instrumental in communicating with those invited. Follow-up reminders and phone calls were made to ensure that an RSVP was received from everyone invited to attend. In addition, there were regular communications on the progress of the planning effort in newsletters, meetings, and conferences through strong communication channels that were already in place. An important constraint to this process was the nature of the physical facility that was to hold the meeting (see below). The steering committee had to balance the need for broad participation with the limits of the meeting space. One tool they used was to limit participation to the first 50 people who signed up. This encouraged people to sign up early to secure their space at the retreat.

Because primary sexual violence prevention was a central concern to most of these stakeholders, there was little resistance in terms of interest in participating. Other hurdles, however, had to be addressed, including the costs associated with attending the conference, travel issues, and the time to attend. The Health Department was able to secure funding to cover participants' costs. However, the steering committee had to work hard to find a meeting site that was within commuting distance from many cities but that would was also be able to provide rooms for those traveling from the out-state area.

Given the budget constraints and the diverse needs of this group, there were challenges securing a suitable meeting location. In the end, a Catholic retreat center fit many of the physical requirements of the conference, but presented another set of challenges. For a few stakeholder groups, there were negative perceptions about the perceived role of the church in sexual violence, the location lacked air conditioning, and there was no handicap access.

The planners of the project were also able to build on several efforts that the health department had previously used to gain stakeholder involvement. For several years, the department hosted a forum called the Sexual Violence Prevention Action Council. This

group had been engaged in education and dialogue on the issue. Diverse stakeholders were already coming together around the issues and had adopted a framework developed by the Prevention Institute called the "Spectrum of Prevention." Without this foundational work, it would have been risky to attempt to get stakeholders aligned around a strategic plan in a two-day meeting.

Finally, another tool the steering committee initiated for gaining involvement was an online survey. This survey was sent to all invitees so that even those who could not attend the retreat would have a voice in the planning. The survey was also sent to others who were not invited to the retreat and people were encouraged to pass the survey on to other stakeholders who might be interested in this plan. Close to 100 people responded to the survey. A majority of respondents provided contact information and volunteered to help with the plan implementation.

Conducting the Meeting

Fifty invitees were able to attend the planning retreat. Using a large-group process over two days, participants worked together to create the framework of a strategic plan. Part of the planned agenda was to have stakeholders sign up for an action team toward the end of the two days. The dilemma faced during the session was in trying to get both focused strategies *and* a very diverse group of stakeholders to take action. Actions would need to occur both at the state level and within individual communities. The steering committee was not sure, going into the meeting, that team sign-up process would work. They agreed to meet during lunch on the second day to review the work and determine how to move the group toward action.

During the lunch meeting, the group decided that the strategies were not clear enough to create teams at the meeting. While the group was concerned about losing people's action commitment, they believed it was more important to have teams that made strategic sense and utilized limited resources well. After lunch, the strategies and success indicators were posted on the wall. Consultants then used a multivoting process to identify six priorities for action.

Following the retreat, the OD consultants developed a proposed structure for action around these six priorities and sent this to the steering committee members for review. Their feedback was incorporated into an action structure that was included in the written strategic plan. Health department staff members then took over the planning and launching of these teams.

Sustaining Momentum

When the strategic planning project had begun, the head of the sexual violence prevention unit had left the organization, and the position had gone unfilled throughout the project. Just prior to the retreat, a well-known state leader in sexual violence work, Patty Wetterling, agreed to fill the position. Seventeen years earlier, Wetterling's young son had been abducted in their small Minnesota town and was never found. Her work in establishing new laws regarding abductions as an advocate and state legislator, as well as a run for the U.S. Senate, made Wetterling a perfect choice to provide statewide leadership in implementing the strategic plan.

Activity Planning

Activity planning involves making a road map for change, citing specific activities and events that must occur if the transition is to be successful. It should clearly identify, temporally orient, and integrate discrete change tasks, and it should explicitly link these tasks to the organization's change goals and priorities. Activity planning also should gain top-management approval, be cost effective, and remain adaptable as feedback is received during the change process.

[Figure 10.3]

Organization Change as a Transition State



An important feature of activity planning is that visions and desired future states can be quite general when compared with the realities of implementing change. As a result, it may be necessary to supplement them with midpoint goals as part of the activity plan.[42] Such goals represent desirable organizational conditions between the current state and the desired future state. For example, if the organization is implementing continuous improvement processes, an important midpoint goal can be the establishment of a certain number of improvement teams focused on understanding and controlling key work processes. Midpoint goals are clearer and more detailed than desired future states, and thus they provide more concrete and manageable steps and benchmarks for change. Activity plans can use midpoint goals to provide members with the direction and security they need to work toward the desired future.

Commitment Planning

This activity involves identifying key people and groups whose commitment is needed for change to occur and formulating a strategy for gaining their support. Although commitment planning is generally a part of developing political support, discussed above, specific plans for identifying key stakeholders and obtaining their commitment to change need to be made early in the change process.

Change-Management Structures

Because organizational transitions tend to be ambiguous and to need direction, special structures for managing the change process need to be created. These management structures should include people who have the power to mobilize resources to promote change, the respect of the existing leadership and change advocates, and the interpersonal and political skills to guide the change process. Alternative management structures include the following:[43]

- The chief executive or head person manages the change effort.
- A project manager temporarily is assigned to coordinate the transition.
- A steering committee of representatives from the major constituencies involved in the change jointly manage the project.
- Natural leaders who have the confidence and trust of large numbers of affected employees are selected to manage the transition.
- A cross section of people representing different organizational functions and levels manages the change.
- A "kitchen cabinet" representing people whom the chief executive consults with and confides in manages the change effort.

Learning Processes

Most organization changes involve the acquisition of new knowledge and skills that support new behaviors. Research at the Center for Effective Organizations suggests that change can be implemented more quickly when leaders consciously design learning

processes into the transition.[44] Four practices, supported by a continuous dialogue and conversation process, were associated with accelerated transitions. The first learning practice, creating a system view of the organization, involves creating a model of work and change that allows individual organizational members to see how their efforts contribute to organizational functioning and performance. When people can see how their efforts support change, it is easier for them to pick up new skills and knowledge; there is a context created that demands new behaviors.

The second learning practice, creating shared meaning, describes the use of models, language, tools, and processes that provide people with a way to making sense of the change. Most organization change is accompanied by considerable anxiety as the organization begins moving from the known to the unknown. By creating common ways of viewing the change, work, customers, and the new organization, people develop a shared view of the new reality. This shared view lowers anxiety and allows organization members to learn new skills and behaviors more quickly.

Engaging in "after-action reviews" or other processes that reflect on experience is the third learning practice. In this activity, initial attempts to try out new activities, new processes, or new behaviors are assessed and reviewed. Organization members get to ask, "how well did we do?" and "what can we learn from that?" The answers to these questions are then used to redesign or redefine correct behavior and applied again. When people get timely and supportive feedback on new behaviors, their ability to learn more quickly increases.

The final learning practice involves decentralizing implementation processes and decisions to the lowest levels possible in the organization, what the researchers called "local self-design." Complex organization change contains too many variables, uncertainties, and local contingencies to be completely programmed from the top of the organization. By allowing organizational units in the lower organization levels to be responsible for the implementation of change, the overall change is accelerated. It is important in this process of local self-design to ensure that the organizational units have a clear understanding of their boundaries. That is, senior leaders in the organization need to be clear about what resources are available for change, the timeline within which the change must occur, and the things that cannot be changed in achieving the change goals.

These four learning practices are held together by conversation and dialogue. More than any other single practice, it is the opportunity to discuss the organization change—to create shared meaning, to understand how each individual fits into the change, to reflect on experience, and to discuss the change at local levels—that integrates the practices and accelerates implementation. Leading change, therefore, is largely a function of creating opporutnities for organization members to discuss change activities.

Application 10.4 shows how Hewlett-Packard and Compaq used all of these techniques to manage the integration activities associated with this acquisition. Despite research indications of a high proportion of failed acquisition processes, the extraordinary detail used in this process, and the bank of institutionalized knowledge (see Application 11.2), the HP–Compaq integration process received very positive reviews.[45]

SUSTAINING MOMENTUM

Once organizational changes are under way, explicit attention must be directed to sustaining energy and commitment for implementing them. The initial excitement and activity of changing often dissipate in the face of practical problems of trying to learn new ways of operating. A strong tendency exists among organization members to return to old behaviors and well-known processes unless they receive sustained support and reinforcement for carrying the changes through to completion. In this section, we present approaches for sustaining momentum for change. The subsequent tasks of assessing and stabilizing changes are discussed in Chapter 11. The following five

application 10.4

Transition Management in the HP–Compaq Acquisition

In the Fall of 2001, Carly Fiorina announced HP's intent to acquire Compaq Corporation. Over the next nine months, a proxy fight ensued as many shareholders and employees challenged the wisdom of the proposed change. Wall Street analysts and organization researchers too debated whether or not the acquisition made sense, especially given the size of the change and the rather dismal history of performance in acquisition cases. Scott McNealy, chief executive of rival Sun Microsystems Inc., predicted "a slow-motion collision of two garbage trucks."

Within days of the initial announcement, however, Fiorina and Michael Capellas, then CEO of Compaq, met with Webb McKinney, a 19-year HP veteran, and Jeff Clarke, Compaq's CFO and survivor of Compaq's acquisition of Digital Equipment Corporation. These two men were named to lead the transition process, one that would involve redeploying a combined 145,000 workers in 160 countries including more than 15,000 layoffs, untangling 163 overlapping product lines, and producing $2.5 billion dollars in promised cost reductions.

It was no accident that McKinney and Clarke were asked to lead the integration team. Both were senior managers with substantial followings and excellent reputations. Days after their initial meeting, they began recruiting managers in equal numbers; Clarke rounded up Compaq talent and McKinney lined up their HP matches. Within weeks of the merger's announcement, the integration group, called the "clean team," had 500 members; by March 2002, more than 900. Even after the merger closed in May 2002, it kept growing, peaking at more than 1,000 full-time employees. By establishing such a huge body of outstanding managers and reassuring them that their jobs would be safe even if the merger failed, Clarke and McKinney were able to coax them to share in confidence everything they knew. It also kept most of them motivated to stay—another critical benchmark.

In addition to getting the right people on board, McKinney and Clarke set up an assembly line for decision making. Their research on successful and unsuccessful acquisitions and Clarke's experience with the Digital acquisition, convinced them that slow decision making and the lack of a clear decision-making process was like a cancer in the transition process. In response, they created the "adopt and go" strategy: Get cross-company pairs of managers to meet daily to determine the best choice or best course of action on any particular issue. Weekly meetings kept the pace fast. If any issues couldn't be resolved by the teams, McKinney and Clarke would jump in. If those two couldn't resolve the impasse, they'd pass it to a committee chaired by Fiorina.

In addition to getting the right people on board and setting up a decision process built for speed, the transition team organized to create activity plans for the key issues facing the integration, including people, products, culture, day-one activities, and day-to-day operations. Excerpts and examples from some of those plans are overviewed below.

- The "adopt and go" process was used to decide which products to keep and which to discontinue. At weekly presentations with McKinney and Clarke, managers had to offer up one for elimination. In contrast to Compaq's merger with Digital, HP executives made quick product decisions and every week pored over progress charts with red, green, and yellow markers to review how each product exit was proceeding. Red and yellow markers indicated a task was troubled; green signaled a task going well. In four months, a road map for product lines emerged and helped to close redundant warehouses and factories, ultimately saving $500 million in procurement costs. In the end, while many Compaq products beat out HP's, such as Compaq's iPac over HP's Jornada, the HP brand survived.
- The "adopt and go" process also helped HP make the hard decisions about personnel appointments. HP appointed its top three tiers of executives before the acquisition was finalized and made new levels of appointments every few weeks. While not perfect—rumors that Compaq people were favored in the sales organization—Clarke contends that all decisions were made "by the book."

- HP created a team to deal specifically with melding the corporate cultures and hired consultants to document the differences. To address perceptions that Compaq employees were "shoot from the hip cowboys" and that HP staff were "bureaucrats," the team created a series of cultural workshops. They were designed to identify the various cultures and subcultures, and then integrate them. For example, key sales managers and about two dozen salespeople from both HP and Compaq held a workshop designed to address sales integration and transition issues. Many attendees first looked at each other suspiciously. Following some ice-breaker exercises, however, an HP representative talked about how they had been working with key customer SBC, the telecommunications company. That was followed by a Compaq rep discussing how they sold to SBC. Then the big group drew up a 100-day work plan for selling to SBC in the future, including a weekly conference call for the team every Friday. The progress from these sessions was tracked by a team of 650 part-time internal "cultural consultants," who also continued in their normal jobs at the company.

The cultural workshops delivered in the first quarter after the deal was signed set the stage for a further cultural integration. The workshops welcomed everyone to the new team, described the HP business, HP's values and operating models, the roles and objectives of different groups, and how people were expected to work together. All of this material was pushed out into the HP market before the launch, inviting a few thousand of the top HP managers to an orientation and education session on what to do, how to communicate, and the details of the new HP and their roles in it.

- The clean team also made extensive "day one" plans. Day one readiness included plans to address customers, issues of leadership and structure, and internal administrative issues. The new HP was launched with everyone on the same email, not a paycheck missed, and every sign changed the morning of launch day. Customers participated heavily in the transition process. Customer councils, interviews, research, information sessions, education, and other data were included in the knowledge transfer to groups that faced the customer. The go-to-market plans were detailed, with playbooks given to each group manager who touched the customers, so that on launch day they knew what to do, what to say to a customer, where to get information. Each customer was given a buddy from the other company at the same level so that he or she could contact that person and get whatever information the customer needed. There was an enormous amount of detail, down to the script of what to say, what answers to give to specific questions, where to get further information, and how to transition an inquiry to the right person.

By most measures, the work has paid off: HP has met the integration goals that Chairman and Chief Executive Carleton S. Fiorina set for the merged company. The biggest of these is cost-savings, which have surpassed expectations. By mid-2003, HP said it saved $734 million—14% more than projected—from payroll cuts and better terms with its suppliers.

activities can help to sustain momentum for carrying change through to completion: providing resources for change, building a support system for change agents, developing new competencies and skills, reinforcing new behaviors, and staying the course.

Providing Resources for Change

Implementing organization change generally requires additional financial and human resources, particularly if the organization continues day-to-day operations while trying to change itself. These extra resources are needed for such change activities as training, consultation, data collection and feedback, and special meetings. Extra resources

also are helpful to provide a buffer as performance drops during the transition period. Organizations can underestimate seriously the need for special resources devoted to the change process. Significant organizational change invariably requires considerable management time and energy, as well as the help of consultants. A separate "change budget" that exists along with capital and operating budgets can earmark the resources needed for training members in how to behave differently and for assessing progress and making necessary modifications in the change program.[46] Unless these extra resources are planned for and provided, meaningful change is less likely to occur.

Building a Support System for Change Agents

Organization change can be difficult and filled with tension, not only for participants but for change agents as well.[47] They often must often give members emotional support, but they may receive little support themselves. They often must maintain "psychological distance" from others to gain the perspective needed to lead the change process. This separation can produce considerable tension and isolation, and change agents may need to create their own support system to help them cope with such problems. A support system typically consists of a network of people with whom the change agent has close personal relationships—people who can give emotional support, serve as a sounding board for ideas and problems, and challenge untested assumptions. For example, OD professionals often use trusted colleagues as "shadow consultants" to help them think through difficult issues with clients and to offer conceptual and emotional support. Similarly, a growing number of companies, such as Procter & Gamble, The Hartford, TRW, and The Limited Brands, are forming internal networks of change agents to provide mutual learning and support.

Developing New Competencies and Skills

Organizational changes frequently demand new knowledge, skills, and behaviors from organization members. In many cases, the changes cannot be implemented unless members gain new competencies. For example, employee-involvement programs often require managers to learn new leadership styles and new approaches to problem solving. Change agents must ensure that such learning occurs. They need to provide multiple learning opportunities, such as traditional training programs, on-the-job counseling and coaching, and experiential simulations, covering both technical and social skills. Because it is easy to overlook the social component, change agents may need to devote special time and resources to helping members gain the social skills required to implement changes. As part of McKesson's commitment to quality, the corporation identified specially selected high performers to become six-sigma black belts and then promoted them accordingly to signal the importance of these skills and knowledge in career planning. In addition, senior managers in all of the divisions are required to attend training that builds new problem-solving skills, team behaviors, and a commitment to the quality philosophy.[48]

Reinforcing New Behaviors

In organizations, people generally do those things that bring them rewards. Consequently, one of the most effective ways to sustain momentum for change is to reinforce the kinds of behaviors needed to implement the changes. This can be accomplished by linking formal rewards directly to the desired behaviors. For example, Integra Financial encouraged more teamwork by designing a rewards and recognition program in which the best team players got both financial rewards and management attention, and a variety of behaviors aimed at promoting self-interest were directly discouraged.[49] (Chapter 17 discusses several reward-system interventions.) In addition, desired behaviors can be reinforced more frequently through informal recognition, encouragement,

and praise. Perhaps equally important are the intrinsic rewards that people can experience through early success in the change effort. Achieving identifiable early successes can make participants feel good about themselves and their behaviors, and thus reinforce the drive to change.

Staying the Course

Change requires time, and many of the expected financial and organizational benefits from change lag behind its implementation. If the organization changes again too quickly or abandons the change before it is fully implemented, the desired results may never materialize. There are two primary reasons that managers do not keep a steady focus on change implementation. First, many managers fail to anticipate the decline in performance, productivity, or satisfaction as change is implemented. Organization members need time to practice, develop, and learn new behaviors; they do not abandon old ways of doing things and adopt a new set of behaviors overnight. Moreover, change activities, such as training, extra meetings, and consulting assistance, are extra expenses added onto current operating expenditures. There should be little surprise, therefore, that effectiveness declines before it gets better. However, perfectly good change projects often are abandoned when questions are raised about short-term performance declines. Patience and trust in the diagnosis and intervention design work are necessary.

Second, many managers do not keep focused on a change because they want to implement the next big idea that comes along. When organizations change before they have to, in response to the latest management fad, a “flavor-of-the-month” cynicism can develop. As a result, organization members provide only token support to a change under the (accurate) notion that the current change won’t last. Successful organizational change requires persistent leadership that does not waver unnecessarily.

Application 10.5 describes the transformation at the Veterans Hospital Administration and how the leadership team sustained momentum for change by instituting a performance management system and utilizing evaluation feedback to modify the change process.[50]

SUMMARY

In this chapter, we described five kinds of activities that change agents must carry out when planning and implementing changes. The first activity is motivating change, which involves creating a readiness for change among organization members and overcoming their resistance. The second activity concerns creating a vision that builds on an organization’s core ideology. It describes an envisioned future that includes a bold and valued outcome and a vividly described desired future state. The core ideology and envisioned future articulate a compelling reason for implementing change. The third task for change agents is developing political support for the changes. Change agents first must assess their own sources of power, then identify key stakeholders whose support is needed for change and devise strategies for gaining their support. The fourth activity concerns managing the transition of the organization from its current state to the desired future state. This requires planning a road map for the change activities, as well as planning how to gain commitment for the changes. It also may involve creating special change-management structures and a set of learning processes that accelerate the transition. The fifth change task is sustaining momentum for the changes so that they are carried to completion. This includes providing resources for the change program, creating a support system for change agents, developing new competencies and skills, reinforcing the new behaviors required to implement the changes, and staying the course.

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Sustaining Transformational Change at the Veterans Health Administration

The Veterans Health Administration (VHA) is a federally funded and centrally administered health care system for veterans. It is one of the country's largest health care delivery systems, with 172 hospitals, 132 nursing homes, 73 home health care programs, 40 residential care programs, and more than 600 outpatient clinics. The VHA's 1999 budget of over $17 million covered a workforce of approximately 180,000 individuals.

In the mid-1990s, a number of pressures threatened the organization's existence and its ability to change, including an overreliance on outmoded and unprofitable in-patient services; a series of health care reforms that threatened to place the VHA in direct competition with more efficient, for-profit, managed care organizations; a congressional budgeting process that threatened to freeze the organization's budget; and a primary customer base that was aging and dwindling. In addition, the agency's management systems and culture were deeply rooted in a command-and-control, military-style mind-set. Decision making was highly centralized and bureaucratic. Politically, the VHA had multiple stakeholders with different and sometimes conflicting interests regarding agency priorities and activities. Finally, the VHA operated within a framework of extensive rules and regulations that constrained the agency's ability to adapt, limited the agency's ability to treat patients on an outpatient basis, or contract for services with private-sector organizations.

In response to these conditions, Congress appointed Dr. Kenneth Kizer, an organizational outsider, to transform the VHA. Dr. Kizer pulled together a leadership team composed mostly of respected insiders and developed a vision for change and related documents that provided a comprehensive statement of purpose and goals for the transformation. The documents made clear that the "transformation would fundamentally change the way veterans health care is provided" and that this would include "increasing ambulatory care access points and a marked emphasis on providing primary care, decentralizing decision making, and integrating the delivery assets to provide a seamless continuum of care." The vision documents also established high standards for the transformation. The VHA was to provide care at a level that "must be demonstratively equal to, or better than, what is available in the local community."

In cooperation with Congress, important reforms were initiated, including patient eligibility requirements that provided the agency with more flexibility to shift patient care to outpatient settings, expanded authority to contract with private-sector organizations, and the ability to market its services to veterans who lacked priority status under the traditional eligibility requirements. Congress formalized these reforms in the Veterans Eligibility Reform Act of 1996 and allowed the VHA to make important shifts in its product and service mix.

As these initial changes in strategy were being implemented, the VHA's senior leadership team reorganized the VHA's operating units into 22 networks known as Veterans Integrated Service Networks. Within this structure, the networks replaced hospitals as the primary planning and budgeting units within the VHA. In addition, much of the authority for operational decision making was effectively transferred from headquarters to the networks. The role of the VHA headquarters, which as part of the transformation had its staff cut by more than one-third, was to set overall policy and to provide technical support to network managers.

The new structure stimulated experimentation and entrepreneurial activity. For example, in an effort to save money and streamline care, network directors consolidated hospitals in more than 45 locations where two or more facilities operated in close proximity to each other. Network directors also implemented many innovative organizational arrangements to coordinate patient care across operating units within the same network. Other arrangements often featured managed care principles related to primary care and preventive services.

With the transformation under way, Dr. Kizer and the leadership team began to implement changes intended to maintain the momentum. These included commitment to a performance

management system and an evaluation process that helped the leadership team understand how the change could be adapted.

The most important reinforcement for change was the creation and implementation of an accountability system for network directors. Each director was required to sign a performance contract that stipulated a set of outcomes to which he or she would be held accountable. The contracts provided directors with financial incentives in the form of a bonus for achieving performance goals. The goals were to change each year to reflect different agency priorities, such as implementing new programs or functions, achieving quantitatively measurable improvements in key efficiency and quality indicators for their network (e.g., patient satisfaction), or core competencies in such areas as interpersonal effectiveness. To monitor performance, the senior leadership team used existing data and measurement systems and also created new ones. Routinely generated and disseminated were reports that provided feedback on each network's relative performance on key measures for the transformation.

The VHA's senior leadership team's ability to stay the course was tested when the accountability system was challenged by upper-level managers. The new accountability system entailed the development of new performance measures, and managers complained about the inadequacy of the data, the unreliability of the measures, and the potential to "game" the system. They also objected to the number and attainability of performance goals.

Many of the complaints were valid and the leadership team took the opportunity to improve the databases and measures. However, the leadership team also believed the value of the new accountability system exceeded its short-term, technical limitations. The new accountability system's emphasis on performance data had a symbolic significance. In fact, managers at lower levels of the agency began measuring the performance of their own units or departments in ways that supported the transformation agenda. These new performance systems often came to be known by such clinically oriented nicknames as "pulse points" and "vital signs." The result was a substantial shift in focus among VHA managers—a shift away from inputs, such as how large is my budget and how many staff do I have, to that of outputs as defined by the goals in network directors' performance contracts. Moreover, the focus of the senior leadership team was reportedly not on whether network directors precisely met each and every goal stipulated in their contracts but rather on whether they met the spirit of their contracts in the sense that performance was moving in a direction that promoted the transformation agenda.

In addition to the new accountability system, an evaluation process pointed out two important areas for the leadership to focus on in sustaining the transformation's momentum. First, the evaluation pointed to the need for an improved communications process. To inform employees about the transformation, the senior leadership team distributed written notices and videotapes, held town meetings, and conducted video-conferences. Employee surveys and focus group interviews suggested that frontline employees, including physicians in nonsupervisory positions, had substantially less understanding of the purpose and nature of the transformation than did those to whom they reported. As a result, the leadership team revised communication channels and the data and information that was communicated to VHA members.

Second, the evaluation pointed out that training and education programs had been forgotten and represented an important opportunity to institutionalize the structural changes. That is, although the new structure helped achieve credibility for the transformation and helped stimulate innovations, it also placed managers in situations they were ill-prepared to handle. Many managers struggled in their efforts to adapt to a structure that now called for them to make innovative and strategic decisions in a turbulent environment. Such decision making was not the common experience of most VHA managers, who had spent much of their careers carrying out directives from agency headquarters. As a result, planned training and education programs were initiated to provide managers with the skills to conduct sophisticated analyses for strategic and marketing plans, capital investment decisions, and contract negotiations with private-sector organizations.

11

Evaluating and Institutionalizing Organization Development Interventions

This chapter focuses on the final stage of the organization development cycle—evaluation and institutionalization. *Evaluation* is concerned with providing feedback to practitioners and organization members about the progress and impact of interventions. Such information may suggest the need for further diagnosis and modification of the change program, or it may show that the intervention is successful. *Institutionalization* is a process for maintaining a particular change for an appropriate period of time. It ensures that the results of successful change programs persist over time.

Evaluation processes consider both the implementation success of the intended intervention and the long-term results it produces. Two key aspects of effective evaluation are measurement and research design. The persistence of intervention effects is examined in a framework showing the organization characteristics, intervention dimensions, and processes contributing to institutionalization of OD interventions in organizations.

EVALUATING ORGANIZATION DEVELOPMENT INTERVENTIONS

Assessing OD interventions involves judgments about whether an intervention has been implemented as intended and, if so, whether it is having desired results. Managers investing resources in OD efforts increasingly are being held accountable for results—being asked to justify the expenditures in terms of hard, bottom-line outcomes. More and more, managers are asking for rigorous assessment of OD interventions and are using the results to make important resource allocation decisions about OD, such as whether to continue to support the change program, to modify or alter it, or to terminate it and try something else.

Traditionally, OD evaluation has been discussed as something that occurs after the intervention. Chapters 12 through 23, for example, present evaluative research about the interventions after discussions of the respective change programs. That view can be misleading, however. Decisions about the measurement of relevant variables and the design of the evaluation process should be made early in the OD cycle so that evaluation choices can be integrated with intervention decisions.

There are two distinct types of OD evaluation: one intended to guide the implementation of interventions and another to assess their overall impact. The key issues in evaluation are measurement and research design.

Implementation and Evaluation Feedback

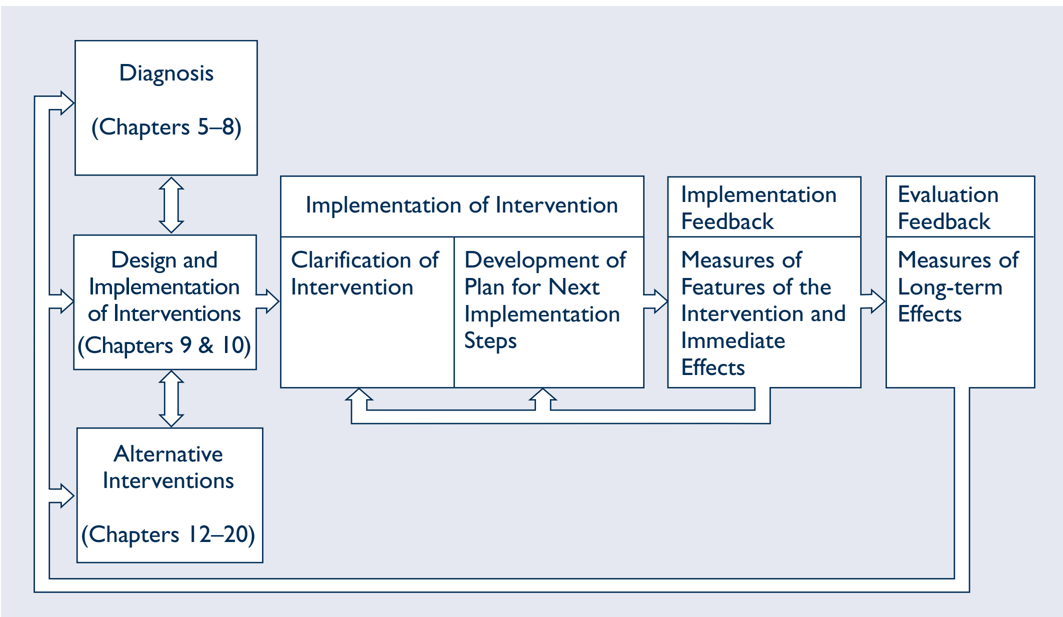
Most discussions and applications of OD evaluation imply that evaluation is something done after intervention. It is typically argued that once the intervention is implemented, it should be evaluated to discover whether it is producing the intended

effects. For example, it might be expected that a job enrichment program would lead to higher employee satisfaction and performance. After implementing job enrichment, evaluation would involve assessing whether these positive results indeed did occur. This after-implementation view of evaluation is only partially correct. It assumes that interventions have been implemented as intended and that the key purpose of evaluation is to assess their effects. However, in many, if not most, organization development programs, implementing interventions cannot be taken for granted.[1] Most OD interventions require significant changes in people's behaviors and ways of thinking about organizations, but they typically offer only broad prescriptions for how such changes are to occur. For example, job enrichment (see Chapter 16) calls for adding discretion, variety, and meaningful feedback to people's jobs. Implementing such changes requires considerable learning and experimentation as employees and managers discover how to translate these general prescriptions into specific behaviors and procedures. This learning process involves much trial and error and needs to be guided by information about whether behaviors and procedures are being changed as intended.[2] Consequently, we should expand our view of evaluation to include both *during-implementation* assessments about if and how well changes are actually being implemented and *after-implementation* evaluation of whether they are producing expected results.

Both kinds of evaluation provide organization members with feedback about interventions. Evaluation aimed at guiding implementation may be called *implementation feedback*, and assessment intended to discover intervention outcomes may be called *evaluation feedback*. Figure 11.1 shows how the two kinds of feedback fit with the diagnostic and intervention stages of OD. The application of OD to a particular organization starts with a thorough diagnosis of the situation (Chapters 5 through 8), which helps identify particular organizational problems, areas for improvement, or strengths to leverage as well as the likely drivers underlying them. Next, from an array of possible interventions (Chapters 12 through 23), one or some set is chosen as a means of improving the organization. The choice is based on knowledge linking interventions to diagnosis (Chapter 9) and change management (Chapter 10).

[Figure 11.1]

Implementation and Evaluation Feedback



In most cases, the chosen intervention provides only general guidelines for organizational change, leaving managers and employees with the task of translating those guidelines into specific behaviors and procedures. Implementation feedback informs this process by supplying data about the different features of the intervention itself, perceptions of the people involved, and data about the immediate effects of the intervention. These data, collected repeatedly and at short intervals, provide a series of snapshots about how the intervention is progressing. Organization members can use this information, first, to gain a clearer understanding of the intervention (the kinds of behaviors and procedures required to implement it) and, second, to plan for the next implementation steps. This feedback cycle might proceed for several rounds, with each round providing members with knowledge about the intervention and ideas for the next stage of implementation.

Once implementation feedback informs organization members that the intervention is sufficiently in place and accepted, evaluation feedback begins. In contrast to implementation feedback, it is concerned with the overall impact of the intervention and with whether resources should continue to be allocated to it or to other possible interventions. Evaluation feedback takes longer to gather and interpret than does implementation feedback. It typically includes a broad array of outcome measures, such as performance, job satisfaction, productivity, and turnover. Negative results on these measures tell members either that the initial diagnosis was seriously flawed or that the wrong intervention was chosen. Such feedback might prompt additional diagnosis and a search for a more effective intervention. Positive results, on the other hand, tell members that the intervention produced expected outcomes and might prompt a search for ways to institutionalize the changes, making them a permanent part of the organization's normal functioning.

An example of a job enrichment intervention helps to clarify the OD stages and feedback linkages shown in Figure 11.1. Suppose the initial diagnosis reveals that employee performance and satisfaction are low and that jobs being overly structured and routinized are an underlying cause of this problem. An inspection of alternative interventions to improve productivity and satisfaction suggests that job enrichment might be applicable for this situation. Existing job enrichment theory proposes that increasing employee discretion, task variety, and feedback can lead to improvements in work quality and attitudes and that this job design and outcome linkage is especially strong for employees who have growth needs—needs for challenge, autonomy, and development. Initial diagnosis suggests that most of the employees have high growth needs and that the existing job designs prevent the fulfillment of these needs. Therefore, job enrichment seems particularly suited to this situation.

Managers and employees now start to translate the general prescriptions offered by job enrichment theory into specific behaviors and procedures. At this stage, the intervention is relatively broad and must be tailored to fit the specific situation. To implement the intervention, employees might decide on the following organizational changes: job discretion can be increased through more participatory styles of supervision; task variety can be enhanced by allowing employees to inspect their job outputs; and feedback can be made more meaningful by providing employees with quicker and more specific information about their performances.

After three months of trying to implement these changes, the members use implementation feedback to see how the intervention is progressing. Questionnaires and interviews (similar to those used in diagnosis) are administered to measure the different features of job enrichment (discretion, variety, and feedback) and to assess employees' reactions to and understanding of the changes. Company records are analyzed to show the short-term effects on productivity of the intervention. The data reveal that productivity and satisfaction have changed very little since the initial diagnosis. Employee perceptions of job discretion and feedback also have shown negligible change and they are confused about the expectations of managers, but perceptions of task variety have

shown significant improvement. In-depth discussion and analysis of this first round of implementation feedback help supervisors gain a better feel for the kinds of behaviors needed to move toward a participatory leadership style. This greater clarification of one feature of the intervention leads to a decision to involve the supervisors in leadership training to develop the skills and knowledge needed to lead participatively. A decision also is made to make job feedback more meaningful by translating such data into simple bar graphs, rather than continuing to provide voluminous statistical reports.

After these modifications have been in effect for about three months, members gather a second round of implementation feedback to see how the intervention is progressing. The data now show that productivity and satisfaction have moved moderately higher than in the first round of feedback and that employee perceptions of task variety and feedback are both high. Employee perceptions of discretion, however, remain relatively low. Members conclude that the variety and feedback dimensions of job enrichment are sufficiently implemented but that the discretion component needs improvement. They decide to put more effort into supervisory training and to ask OD practitioners to provide online counseling and coaching to supervisors about their leadership styles.

After four more months, a third round of implementation feedback is sought. The data now show that satisfaction and performance are significantly higher than in the first round of feedback and moderately higher than in the second round. The data also show that discretion, variety, and feedback are all high, suggesting that the job enrichment intervention has been successfully implemented. Now evaluation feedback is used to assess the overall effectiveness of the program.

The evaluation feedback includes all the data from the satisfaction and performance measures used in the implementation feedback. Because both the immediate and broader effects of the intervention are being evaluated, additional outcomes are examined, such as employee absenteeism, maintenance costs, and reactions of other organizational units not included in job enrichment. The full array of evaluation data might suggest that after one year from the start of implementation, the job enrichment program is having the expected effects and thus should be continued and made more permanent.

Measurement

Providing useful implementation and evaluation feedback involves two activities: selecting the appropriate variables and designing good measures.

Selecting Appropriate Variables Ideally, the variables measured in OD evaluation should derive from the theory or conceptual model underlying the intervention. The model should incorporate the key features of the intervention as well as its expected results. The general diagnostic models described in Chapters 5 and 6 meet this criterion, as do the more specific models introduced in Chapters 12 through 23. For example, the job-level diagnostic model described in Chapter 6 proposes several major features of work: task variety, feedback, and autonomy. The theory argues that high levels of these elements can be expected to result in high levels of work quality and satisfaction. In addition, as we shall see in Chapter 16, the strength of this relationship varies with the degree of employee growth need: the higher the need, the more that job enrichment produces positive results.

The job-level diagnostic model suggests a number of measurement variables for implementation and evaluation feedback. Whether the intervention is being implemented could be assessed by determining how many job descriptions have been rewritten to include more responsibility or how many organization members have received cross training in other job skills. Evaluation of the immediate and long-term impact of job enrichment would include measures of employee performance and satisfaction over time. Again, these measures would likely be included in the initial diagnosis, when the company's problems or areas for improvement are discovered.

Measuring both intervention and outcome variables is necessary for implementation and evaluation feedback. Unfortunately, there has been a tendency in OD to measure only outcome variables while neglecting intervention variables altogether.[3] It generally is assumed that the intervention has been implemented, and attention, therefore, is directed to its impact on such organizational outcomes as performance, absenteeism, and satisfaction. As argued earlier, implementing OD interventions generally takes considerable time and learning. It must be empirically determined that the intervention has been implemented; it cannot simply be assumed. Implementation feedback serves this purpose, guiding the implementation process and helping to interpret outcome data. Outcome measures are ambiguous without knowledge of how well the intervention has been implemented. For example, a negligible change in measures of performance and satisfaction could mean that the wrong intervention has been chosen, that the correct intervention has not been implemented effectively, or that the wrong variables have been measured. Measurement of the intervention variables helps determine the correct interpretation of outcome measures.

As suggested above, the selection of intervention variables to be measured should derive from the conceptual framework underlying the OD intervention. OD research and theory increasingly have come to identify specific organizational changes needed to implement particular interventions (much of that information is discussed in Chapters 12 through 23). These variables should guide not only implementation of the intervention but also choices about what change variables to measure for evaluative purposes. Additional sources of knowledge about intervention variables can be found in the numerous references at the end of each of the chapters on intervention in this book and in several of the books in the Wiley Series on Organizational Assessment and Change.[4]

The choice of what outcome variables to measure also should be dictated by intervention theory, which specifies the kinds of results that can be expected from particular change programs. Again, the material in this book and elsewhere identifies numerous outcome measures, such as job satisfaction, intrinsic motivation, organizational commitment, absenteeism, turnover, and productivity.

Historically, OD assessment has focused on attitudinal outcomes, such as job satisfaction, while neglecting hard measures, such as performance. Increasingly, however, managers and researchers are calling for development of behavioral measures of OD outcomes. Managers are interested primarily in applying OD to change work-related behaviors that involve joining, remaining, and producing at work, and are assessing OD more frequently in terms of such bottom-line results. Macy and Mirvis have done extensive research to develop a standardized set of behavioral outcomes for assessing and comparing intervention results.[5] Table 11.1 lists eleven outcomes, including their behavioral definitions and recording categories. The outcomes are in two broad categories: participation-membership, including absenteeism, tardiness, turnover, internal employment stability, and strikes and work stoppages; and performance on the job, including productivity, quality, grievances, accidents, unscheduled machine downtime and repair, material and supply overuse, and inventory shrinkage. All of the outcomes should be important to most managers, and they represent generic descriptions that can be adapted to both industrial and service organizations.

Designing Good Measures Each of the measurement methods described in Chapter 7 has advantages and disadvantages. Many of these characteristics are linked to the extent to which a measurement is operationally defined, reliable, and valid. These assessment characteristics are discussed below.

Operational definition. A good measure is operationally defined; that is, it specifies the empirical data needed, how they will be collected and, most important, how they will be converted from data to information. For example, Macy and Mirvis developed operational definitions for the behavioral outcomes listed in Table 11.1 (see Table 11.2).[6]

They consist of specific computational rules that can be used to construct measures for each of the behaviors. Most of the behaviors are reported as rates adjusted for the number of employees in the organization and for the possible incidents of behavior. These adjustments make it possible to compare the measures across different situations and time periods. These operational definitions should have wide applicability across both industrial and service organizations, although some modifications, deletions, and additions may be necessary for a particular application.

Operational definitions are extremely important in measurement because they provide precise guidelines about what characteristics of the situation are to be observed and how they are to be used. They tell OD practitioners and the client system exactly how diagnostic, intervention, and outcome variables will be measured.

Reliability. Reliability concerns the extent to which a measure represents the "true" value of a variable—that is, how accurately the operational definition translates data into information. For example, there is little doubt about the accuracy of the number of cars leaving an assembly line as a measure of plant productivity. Although it is possible to miscount, there can be a high degree of confidence in the measurement. On the other hand, when people are asked to rate their level of job satisfaction on a scale of 1 to 5, there is considerable room for variation in their response. They may just have had an argument with their supervisor, suffered an accident on the job, been rewarded for high levels of productivity, or been given new responsibilities. Each of these events can sway the response to the question on any given day. The individuals' "true" satisfaction score is difficult to discern from this one question and the measure lacks reliability.[7]

OD practitioners can improve the reliability of their measures in four ways. First, rigorously and operationally define the chosen variables. Clearly specified operational definitions contribute to reliability by explicitly describing how collected data will be converted into information about a variable. An explicit description helps to allay the client's concerns about how the information was collected and coded.

Second, use multiple methods to measure a particular variable. As discussed in Chapter 7, the use of questionnaires, interviews, observations, and unobtrusive measures can improve reliability and result in a more comprehensive understanding of the organization. Because each method contains inherent biases, several different methods can be used to triangulate on dimensions of organizational issues. If the independent measures converge or show consistent results, the dimensions or problems likely have been diagnosed accurately.[8]

Third, use multiple items to measure the same variable on a questionnaire. For example, in Hackman and Oldham's Job Diagnostic Survey for measuring job characteristics (Chapter 16), the intervention variable "autonomy" is operationally defined by the average of respondents' answers to the following three questions (measured on a 7-point scale):[9]

1. The job permits me to decide *on my own* how to go about doing the work.
2. The job denies me any chance to use my personal initiative or judgment in carrying out the work. [reverse scored]
3. The job gives me considerable opportunity for independence and freedom in how I do the work.

By asking more than one question about "autonomy," the survey increases the accuracy of its measurement of this variable. Statistical analyses (called *psychometric tests*) are readily available for assessing the reliability of perceptual measures, and OD practitioners should apply these methods or seek assistance from those who can apply them.[10] Similarly, there are methods for analyzing the content of interview and observational data, and OD evaluators can use these methods to categorize such information so that it can be understood and replicated.[11]

Fourth, use standardized instruments. A growing number of standardized questionnaires are available for measuring OD intervention and outcome variables. For example, the Center for Effective Organizations at the University of Southern California (http://ceo-marshall.usc.edu) and the Institute for Social Research at the University of Michigan (http://www.isr.umich.edu) have developed comprehensive survey instruments to measure the features of many of the OD interventions described in this book, as well as their attitudinal outcomes.[12] Considerable research and testing have gone into establishing measures that are reliable and valid. These survey instruments can be used for initial diagnosis, for guiding implementation of interventions, and for evaluating immediate and long-term outcomes.

Validity. Validity concerns the extent to which a measure actually reflects the variable it is intended to reflect. For example, the number of cars leaving an assembly line might be a reliable measure of plant productivity, but it may not be a valid measure. The number of cars is only one aspect of productivity; they may have been produced at an unacceptably high cost. Because the number of cars does not account for cost, it is not a completely valid measure of plant productivity.

OD practitioners can increase the validity of their measures in several ways. First, ask colleagues and clients if a proposed measure actually represents a particular variable. This is called *face validity* or *content validity*. If experts and clients agree that the measure reflects the variable of interest, then there is increased confidence in the measure's validity. Second, use multiple measures of the same variable, as described in the section about reliability, to make preliminary assessments of the measure's *criterion* or *convergent validity*. That is, if several different measures of the same variable correlate highly with each other, especially if one or more of the other measures have been validated in prior research, then there is increased confidence in the measure's validity. A special case of criterion validity, called *discriminant validity*, exists when the proposed measure does not correlate with measures that it is not supposed to correlate with. For example, there is no good reason for daily measures of assembly line productivity to correlate with daily air temperature. The lack of a correlation would be one indicator that the number of cars is measuring productivity and not some other variable. Finally, *predictive validity* is demonstrated when the variable of interest accurately forecasts another variable over time. For example, a measure of team cohesion can be said to be valid if it accurately predicts improvements in team performance in the future.

It is difficult, however, to establish the validity of a measure until it has been used. To address this concern, OD practitioners should make heavy use of content validity processes and use measures that already have been validated. For example, presenting proposed measures to colleagues and clients for evaluation prior to measurement has several positive effects: It builds ownership and commitment to the data collection process and improves the likelihood that the client system will find the data meaningful. Using measures that have been validated through prior research improves confidence in the results and provides a standard that can be used to validate any new measures used in collecting the data.

Research Design

In addition to measurement, OD practitioners must make choices about how to design the evaluation to achieve valid results. The key issue is how to design the assessment to show whether the intervention did in fact produce the observed results. This is called *internal validity*. The secondary question of whether the intervention would work similarly in other situations is referred to as *external validity*. External validity is irrelevant without first establishing an intervention's primary effectiveness, so internal validity is the essential minimum requirement for assessing OD interventions. Unless managers can have confidence that the outcomes are the result of the intervention, they have no rational basis for making decisions about accountability and resource allocation.

Assessing the internal validity of an intervention is, in effect, testing a hypothesis—namely, that specific organizational changes lead to certain outcomes. Moreover, testing the validity of an intervention hypothesis means that alternative hypotheses or explanations of the results must be rejected. That is, to claim that an intervention is successful, it is necessary to demonstrate that other explanations—in the form of rival hypotheses—do not account for the observed results. For example, if a job enrichment program appears to increase employee performance, such other possible explanations as new technology, improved raw materials, or new employees must be eliminated.

Accounting for rival explanations is not a precise, controlled, experimental process such as might be found in a research laboratory.[13] OD interventions often have a number of features that make it difficult to determine whether they produced the observed results. They are complex and often involve several interrelated changes that obscure whether individual features or combinations of features are accounting for the results. Many OD interventions are long-term projects and take considerable time to produce desired outcomes. The longer the time period of the change program, the greater are the chances that other factors, such as technology improvements, will emerge to affect the results. Finally, OD interventions usually are applied to existing work units rather than to randomized groups of organization members. Ruling out alternative explanations associated with randomly selected intervention and comparison groups is, therefore, difficult.

Given the problems inherent in assessing OD interventions, practitioners have turned to *quasi-experimental research designs*.[14] These designs are not as rigorous and controlled as are randomized experimental designs, but they allow evaluators to rule out many rival explanations for OD results other than the intervention itself. Although several quasi-experimental designs are available, those with the following three features are particularly powerful for assessing changes:

1. **Longitudinal measurement.** This involves measuring results repeatedly over relatively long time periods. Ideally, the data collection should start before the change program is implemented and continue for a period considered reasonable for producing expected results.
2. **Comparison unit.** It is always desirable to compare results in the intervention situation with those in another situation where no such change has taken place. Although it is never possible to get a matching group identical to the intervention group, most organizations include a number of similar work units that can be used for comparison purposes.
3. **Statistical analysis.** Whenever possible, statistical methods should be used to rule out the possibility that the results are caused by random error or chance. Various statistical techniques are applicable to quasi-experimental designs, and OD practitioners should apply these methods or seek help from those who can apply them.

Table 11.3 provides an example of a quasi-experimental design having these three features. The intervention is intended to reduce employee absenteeism. Measures of absenteeism are taken from company monthly records for both the intervention and comparison groups. The two groups are similar yet geographically separate subsidiaries of a multiplant company. Table 11.3 shows each plant's monthly absenteeism rate for four consecutive months both before and after the start of the intervention. The plant receiving the intervention shows a marked decrease in absenteeism in the months following the intervention, whereas the control plant shows comparable levels of absenteeism in both time periods. Statistical analyses of these data suggest that the abrupt downward shift in absenteeism following the intervention was not attributable to chance variation. This research design and the data provide relatively strong evidence that the intervention was successful.

[Table 11.3]

Quasi-Experimental Research Design

	MONTHLY ABSENTEEISM (%)								
	SEPT.	OCT.	NOV.	DEC.		JAN.	FEB.	MAR.	APR.
Intervention group	5.1	5.3	5.0	5.1	Start of intervention	4.6	4.0	3.9	3.5
Comparison group	2.5	2.6	2.4	2.5		2.6	2.4	2.5	2.5

Quasi-experimental research designs using longitudinal data, comparison groups, and statistical analysis permit reasonable assessments of intervention effectiveness. Repeated measures often can be collected from company records without directly involving members of the experimental and comparison groups. These unobtrusive measures are especially useful in OD assessment because they do not interact with the intervention and affect the results. More obtrusive measures, such as questionnaires and interviews, are reactive and can sensitize people to the intervention. When this happens, it is difficult to know whether the observed findings are the result of the intervention, the measuring methods, or some combination of both.

Multiple measures of intervention and outcome variables should be applied to minimize measurement and intervention interactions. For example, obtrusive measures such as questionnaires could be used sparingly, perhaps once before and once after the intervention. Unobtrusive measures, such as the behavioral outcomes shown in Tables 11.1 and 11.2, could be used repeatedly, thus providing a more extensive time series than the questionnaires. When used together, the two kinds of measures should produce accurate and non-reactive evaluations of the intervention.

The use of multiple measures also is important in assessing perceptual changes resulting from interventions. Considerable research has identified three types of change—alpha, beta, and gamma—that occur when using self-report, perceptual measures.[15]

Alpha change refers to movement along a measure that reflects stable dimensions of reality. For example, comparative measures of perceived employee discretion might show an increase after a job enrichment program. If this increase represents alpha change, it can be assumed that the job enrichment program actually increased employee perceptions of discretion.

Beta change involves the recalibration of the intervals along some constant measure of reality. For example, before-and-after measures of perceived employee discretion can decrease after a job enrichment program. If beta change is involved, it can explain this apparent failure of the intervention to increase discretion. The first measure of discretion may accurately reflect the individual's belief about the ability to move around and talk to fellow workers in the immediate work area. During implementation of the job enrichment intervention, however, the employee may learn that the ability to move around is not limited to the immediate work area. At a second measurement of discretion, the employee, using this new and recalibrated understanding, may rate the current level of discretion as lower than before.

Gamma change involves fundamentally redefining the measure as a result of an OD intervention. In essence, the framework within which a phenomenon is viewed changes. For example, the presence of gamma change would make it difficult to compare measures of employee discretion taken before and after a job enrichment program. The measure taken after the intervention might use the same words, but they represent an entirely different concept. As described above, the term "discretion" may originally refer to the ability to move about the department and interact with other workers. After the intervention, discretion might be defined in terms of the ability to make decisions about work rules, work schedules, and productivity levels. In sum, the job enrichment intervention changed the way discretion is perceived and how it is evaluated.

These three types of change apply to perceptual measures. When changes other than alpha ones occur, interpreting measurement changes becomes far more difficult. Potent OD interventions may produce both beta and gamma changes, and this severely complicates interpretations of findings reporting change or no change. Further, the distinctions among the three different types of change suggest that the heavy reliance on questionnaires, so often cited in the literature, should be balanced by using other measures, such as interviews and unobtrusive records. Analytical methods have been developed to assess the three kinds of change, and OD practitioners should gain familiarity with these recent techniques.[16]

Application 11.1 describes the implementation and evaluation feedback that were developed for the Alegent Health project. It is a sophisticated example of how data can be used to guide current implementation and evaluate the effectiveness of an intervention. But the evaluation is not perfect. What are the strengths and weaknesses of the assessment? How could it have been improved? How much confidence do you have in the lessons learned from this organization?

INSTITUTIONALIZING ORGANIZATIONAL CHANGES

Once it is determined that changes have been implemented and are effective, attention is directed at institutionalizing the changes—maintaining them as a normal part of the organization's functioning for an appropriate period of time.[17] In complex and uncertain environments, some changes are only part of a long journey of organization adaptation. Innovating new products is not a one-time change but a continuous process that must be implemented over and over again. Other changes, such as the process for appraising performance, need to persist. For example, there is little to be gained from making front-line supervisors learn a new performance rating system every year.

Lewin described change as occurring in three stages: unfreezing, moving, and refreezing. Institutionalizing an OD intervention concerns refreezing. It involves the long-term persistence of organizational changes: To the extent that changes persist, they can be said to be institutionalized. Such changes are not dependent on any one person but exist as a part of the culture of an organization. This means that numerous others share norms about the appropriateness of the changes.

How planned changes become institutionalized has not received much attention in the OD literature. Rapidly changing environments have led to admonitions from consultants and practitioners to "change constantly," to "change before you have to," and "if it's not broke, fix it anyway." Such a context has challenged the utility of the institutionalization concept. Why endeavor to make any change permanent given that it may require changing again soon? However, the admonitions also have resulted in institutionalization concepts being applied in new ways. Change itself has become the focus of institutionalization. Built to change, organization learning, and self-design interventions described in Chapter 21 all are aimed at enhancing the organization's change capability.[18] In this vein, processes of institutionalization take on increased utility. This section presents a framework for identifying factors and processes that contribute to the institutionalization of OD interventions, including the process of change itself.

Institutionalization Framework

Figure 11.2 presents a framework that identifies organization and intervention characteristics and institutionalization processes affecting the degree to which change programs are institutionalized.[19] The model shows that two key antecedents—organization and intervention characteristics—affect different institutionalization processes operating in organizations. These processes, in turn, affect various indicators of institutionalization. The model also shows that organization characteristics can influence intervention

Evaluating Change at Alegent Health

In July and August of 2005, Alegent Health (AH) conducted six large-group interventions or "decision accelerators" (DAs) to generate innovative strategies for the six clinical service areas. Researchers at USC's Center for Effective Organizations contracted with AH to assess the impact of the interventions and help the organization learn how to leverage further change. The applications in Chapter 4 described how the researchers entered and contracted with the organization, and Application 7.1 described the data collection and analysis process. In this application, we describe the implementation and evaluation feedback the researchers generated.

In terms of implementation feedback, the collected data described perceptions of change progress and employee involvement. For example, executive interviews and surveys from people who participated in "review DAs" to reflect on implementation progress and plan future changes supported a positive assessment of overall progress. People generally agreed that the implementation of the clinical strategies was going well. They were positive about the social capital that had been created by the DAs, especially between managers and physicians, as well as the evidence of culture change. Nearly everyone in the organization believed that the clinical strategies were the "right thing to do." In addition to these positive findings, there was some concern about feeling involved in the change.

That is, the DAs were a great energizer for the organization, generated comprehensive strategies, and catalyzed important changes. However, the data also contained some reservations about the organization's ability to leverage the changes. As described in Application 7.1, the implementation approaches were mostly informal; the organization was afraid that too many dedicated change processes and systems might slow down the change process. The data revealed a more complex set of issues.

First, executives and some physicians understood the roles, decisions, and processes related to implementation more than operational managers and other physicians. The six clinical services cases studied described an intense period of business planning following the DAs. Senior management, all of whom had participated in the original six DAs, drove this process and were quite clear about the resulting priorities and initiatives. This clarity, however, was not widely shared by the hospital COOs, many physicians, and many operational managers. This resulted in a perception of a strong connection between strategy formulation and implementation at the top of the organization, but a weak perception in the middle of the organization. Managers and nurses felt overwhelmed—they heard about change with little context, and believed that the speed of change was slower rather than faster because "everything was important." Similarly, many physicians who were energized by the DAs wanted to know "where's the change?" While exceptions to this observation did exist, there was a general sense that senior managers were more involved and saw more change than others.

Second, the absence of formal change management processes made important resource allocation decisions, trade-offs on technology, and coordination of quality processes across the system more difficult. There was no visible mechanism, for example, to decide how quality programs should be rolled out or where to pilot electronic medical record systems. The lack of formal change management systems (action plans, governance mechanisms, learning practices) following the DAs was related to some feelings among all stakeholder groups that change was slow in coming and overwhelming when it did come. Most people correctly viewed the strategies created by the DAs as high-level plans providing general direction. However, the process for developing action plans and implementation activities was not visible to many people. Ad hoc change systems emerged based on the nature of the strategy implementation activities and these helped to focus attention and resources. Interestingly, these systems all started to emerge about one year after the original DAs.

Based on these implementation data, and the data presented in Application 7.1 about how the DA needed to evolve, the researchers recommended (1) creating different versions of the DA to address different issues and (2) formalizing some change processes so that the resourcing, execution, and communication of change were more coordinated. However, their overall recommendation was to

continue using the DA for strategy formulation and visioning, as well as tactical and implementation-oriented issues.

In terms of evaluation feedback, the analysis of the activities described in the DA reports provided some important conclusions. For example, the composition of the DAs, or the mix of AH managers and staff, physicians, community members, and other stakeholders, affected the processes and outcomes. First, in DAs where there was a higher proportion of physicians, there was a narrower range of stakeholder participation and an increased likelihood that the group would deviate from the agenda. In addition, there was a weak relationship between higher percentages of community participants and all DA processes. That is, when the DA had more community participants, there was broader participation in the discussions, the debates were more intense, and the DA stayed on track.

Second, the composition of the DA had differential impacts on the outcomes of meeting. When the DA had a high percentage of physicians, the resulting vision was less comprehensive. On the other hand, when the DA had a high concentration of community participants, the vision was more comprehensive. These results were reflected in the survey data as well. The percentage of community participants was positively related to perceptions that the strategy was more innovative but less aggressive and business oriented. The concentration of physicians in the DA tended to have opposite relationships with the strategy dimensions.

When these data were fed back to the organization, the researchers specifically pointed out that these findings did not suggest that it was wrong to involve physicians or that a higher percentage of community members was better. To the contrary, the fundamental assumption of DA interventions was that a broader mix of stakeholders contributes to a better solution. This data did suggest that not all stakeholder groups are created equal. Too many of any type of stakeholder group may lead to lopsided discussions and sway the agenda. In several of the DAs for example, almost half of the participants were physicians, making it likely that this constituency would disproportionately impact the flow of the meeting.

The table below summarizes many of the findings from the Alegent project.

EVALUATION QUESTION	DATA
• Does Alegent's strategy, purpose, and organization support change?	– Yes—Many powerful internal and external forces are pushing for and supporting change
• How effective were the original six DAs in achieving intended outcomes?	– Very effective—The DAs generated a lot of energy for change, healed physician relationships, and utilized good thinking
• What DA characteristics made a difference?	– The DA's composition was an important influence on its processes and outcomes
• How do executives and managers characterize the service line strategies?	– Comprehensive, somewhat innovative, and business oriented
• Are they similar or different?	– Managers are more positive than executives
• How is the implementation process being orchestrated?	– Informally—as a result, people feel overwhelmed by change
• What processes, structure, and roles have been put in place to make the strategies a reality?	– Few—People agree there is change capacity but want more involvement and action
	– Generally positive attributions
• Is there evidence that implementation is likely to produce desired outcomes?	– While uncertainty exists, there are many shared suggestions for moving forward and commitment is high

Overall, the researchers concluded that:

1. There was a demonstrable and palpable change in a variety of organization features that if not directly tied to the DA were certainly hastened by it. A large number of specific strategic, operational, and practice-oriented changes connected with each clinical area had been implemented relatively quickly. In addition, there was substantial agreement that the culture was changing, as evidenced by new language, regular and extensive use of DAs, collaborative decision making, openness to innovation, confidence in leadership, and openness to joint ventures with the physicians. Finally, there was broad agreement that the DA process represented a visible and tangible effort to address physician relationships and clearly moved those relationships in a positive direction.
2. The organization's initial use of the DA process as a strategic visioning intervention persists in the minds of most organization members. Alegent Health can productively apply the technology and principles to other, more implementation-oriented issues. On the other hand, DAs cannot do everything, and complementary governance and implementation processes are necessary.

characteristics. For example, organizations having powerful unions may have trouble gaining internal support for OD interventions.

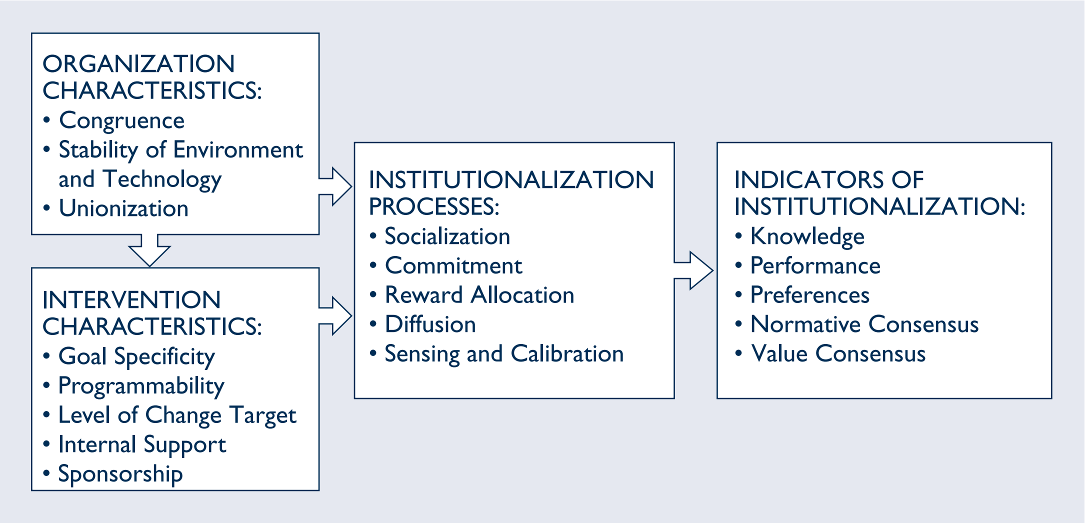
Organization Characteristics

Figure 11.2 shows that the following three key dimensions of an organization can affect intervention characteristics and institutionalization processes:

1. **Congruence.** This is the degree to which an intervention is perceived as being in harmony with the organization's managerial philosophy, strategy, and

[Figure 11.2]

Institutionalization Framework



structure; its current environment; and other changes taking place.[20] When an intervention is congruent with these dimensions, the probability is improved that it will be supported and sustained. Congruence can facilitate persistence by making it easier to gain member commitment to the intervention and to diffuse it to wider segments of the organization. The converse also is true: Many OD interventions promote employee participation and growth. When applied in highly bureaucratic organizations with formalized structures and autocratic managerial styles, participative interventions are not perceived as congruent with the organization's managerial philosophy.

2. **Stability of environment and technology.** This involves the degree to which the organization's environment and technology are changing. The persistence of change is favored when environments are stable. Under these conditions, it makes sense to embed the change in an organization's culture and organization design processes. On the other hand, volatile demand for the firm's products or services can lead to reductions in personnel that may change the composition of the groups involved in the intervention or bring new members on board at a rate faster than they can be socialized effectively.
3. **Unionization.** Diffusion of interventions may be more difficult in unionized settings, especially if the changes affect union contract issues, such as salary and fringe benefits, job design, and employee flexibility. For example, a rigid union contract can make it difficult to merge several job classifications into one, as might be required to increase task variety in a job enrichment progrom. It is important to emphasize, however, that unions can be a powerful force for promoting change, particularly when a good relationship exists between union and management

Intervention Characteristics

Figure 11.2 shows that the following five major features of OD interventions can affect institutionalization processes:

1. **Goal specificity.** This involves the extent to which intervention goals are specific rather than broad. Specificity of goals helps direct socializing activities (for example, training and orienting new members) to particular behaviors required to implement the intervention. It also helps operationalize the new behaviors so that rewards can be linked clearly to them. For example, an intervention aimed only at increasing product quality is likely to be more focused and readily put into operation than a change program intended to improve quality, quantity, safety, absenteeism, and employee development.
2. **Programmability.** This involves the degree to which the changes can be programmed or the extent to which the different intervention characteristics can be specified clearly in advance to enable socialization, commitment, and reward allocation. For example, job enrichment specifies three targets of change: employee discretion, task variety, and feedback. The change program can be planned and designed to promote those specific features.
3. **Level of change target.** This concerns the extent to which the change target is the total organization, rather than a department or small work group. Each level of organization has facilitators and inhibitors of persistence. Departmental and group change are susceptible to countervailing forces from others in the organization. These can reduce the diffusion of the intervention and lower its ability to impact organization effectiveness. However, this does not preclude institutionalizing the change within a department that successfully insulates itself from the rest of the organization. Such insulation often manifests itself as a subculture within the organization.[21]

   Targeting the intervention toward wider segments of the organization, on the other hand, can also help or hinder change persistence. A shared belief about the

intervention's value can be a powerful incentive to maintain the change, and promoting a consensus across organizational departments exposed to the change can facilitate institutionalization. But targeting the larger system also can inhibit institutionalization. The intervention can become mired in political resistance because of the "not invented here" syndrome or because powerful constituencies oppose it.

4. **Internal support.** This refers to the degree to which there is an internal support system to guide the change process. Internal support, typically provided by an internal consultant, can gain commitment for the changes and help organization members implement them. External consultants also can provide support, especially on a temporary basis during the early stages of implementation. For example, in many interventions aimed at implementing high-involvement organizations (see Chapter 15), both external and internal consultants provide change support. The external consultant typically brings expertise on organizational design and trains members to implement the design. The internal consultant generally helps members relate to other organizational units, resolve conflicts, and legitimize the change activities within the organization.
5. **Sponsorship.** This concerns the presence of a powerful sponsor who can initiate, allocate, and legitimize resources for the intervention. Sponsors must come from levels in the organization high enough to control appropriate resources, and they must have the visibility and power to nurture the intervention and see that it remains viable. There are many examples of OD interventions that persisted for several years and then collapsed abruptly when the sponsor, usually a top administrator, left the organization. There also are numerous examples of middle managers withdrawing support for interventions because top management did not include them in the change program.

Institutionalization Processes

The framework depicted in Figure 11.2 shows the following five institutionalization processes that can directly affect the degree to which OD interventions are institutionalized:

1. **Socialization.** This concerns the transmission of information about beliefs, preferences, norms, and values with respect to the intervention. Because implementation of OD interventions generally involves considerable learning and experimentation, a continual process of socialization is necessary to promote persistence of the change program. Organization members must focus attention on the evolving nature of the intervention and its ongoing meaning. They must communicate this information to other employees, especially new members of the organization. Transmission of information about the intervention helps bring new members onboard and allows participants to reaffirm the beliefs, norms, and values underlying the intervention.[22] For example, employee involvement programs often include initial transmission of information about the intervention, as well as retraining of existing participants and training of new members. Such processes are intended to promote persistence of the program as new behaviors are learned and new members introduced.
2. **Commitment.** This binds people to behaviors associated with the intervention. It includes initial commitment to the program, as well as recommitment over time. Opportunities for commitment should allow people to select the necessary behaviors freely, explicitly, and publicly. These conditions favor high commitment and can promote stability of the new behaviors. Commitment should derive from several organizational levels, including the employees directly involved and the middle and upper managers who can support or thwart the intervention. In many early employee involvement programs, for example, attention was directed at gaining workers' commitment to such programs. Unfortunately, middle managers were often ignored and considerable management resistance to the interventions resulted.

3. **Reward allocation.** This involves linking rewards to the new behaviors required by an intervention. Organizational rewards can enhance the persistence of changes in at least two ways. First, a combination of intrinsic and extrinsic rewards can reinforce new behaviors. Intrinsic rewards are internal and derive from the opportunities for challenge, development, and accomplishment found in the work. When interventions provide these opportunities, motivation to perform should persist. This behavior can be further reinforced by providing extrinsic rewards, such as money, for increased contributions. Because the value of extrinsic rewards tends to diminish over time, it may be necessary to revise the reward system to maintain high levels of desired behaviors.

   Second, new behaviors will persist to the extent that rewards are perceived as equitable by employees. When new behaviors are fairly compensated, people are likely to develop preferences for those behaviors. Over time, those preferences should lead to normative and value consensus about the appropriateness of the intervention. For example, many employee involvement programs fail to persist because employees feel that their increased contributions to organizational improvements are unfairly rewarded. This is especially true for interventions relying exclusively on intrinsic rewards. People argue that an intervention that provides opportunities for intrinsic rewards also should provide greater pay or extrinsic rewards for higher levels of contribution to the organization.
4. **Diffusion.** This refers to the process of transferring changes from one system to another. Diffusion facilitates institutionalization by providing a wider organizational base to support the new behaviors. Many interventions fail to persist because they run counter to the values, purpose, or identity of the larger organization. Rather than support the intervention, the larger organization rejects the changes and often puts pressure on the change target to revert to old behaviors. Diffusion of a change to other organizational units reduces this counter-implementation force. It tends to lock in behaviors by providing normative consensus from other parts of the organization. Moreover, the act of transmitting institutionalized behaviors to other systems reinforces commitment to the changes.
5. **Sensing and calibration.** This involves detecting deviations from desired intervention behaviors and taking corrective action. Institutionalized behaviors invariably encounter destabilizing forces, such as changes in the environment, new technologies, and pressures from other departments to nullify changes. These factors cause some variation in performances, preferences, norms, and values. To detect this variation and take corrective actions, organizations must have some sensing mechanism. Sensing mechanisms, such as implementation feedback, provide information about the occurrence of deviations. This knowledge can then initiate corrective actions to ensure that behaviors are more in line with the intervention. For example, if a high level of job discretion associated with a job enrichment intervention does not persist, information about this problem might initiate corrective actions, such as renewed attempts to socialize people or to gain commitment to the intervention.

Indicators of Institutionalization

Institutionalization is not an all-or-nothing concept but reflects degrees of persistence in a change. Figure 11.2 shows five indicators of the extent of an intervention's persistence. The extent to which the following factors are present or absent indicates the degree of institutionalization:

1. **Knowledge.** This involves the extent to which organization members have knowledge of the behaviors associated with an intervention. It is concerned with whether members know enough to perform the behaviors and to recognize the consequences

of that performance. For example, job enrichment includes a number of new behaviors, such as performing a greater variety of tasks, analyzing information about task performance, and making decisions about work methods and plans.

2. **Performance.** This is concerned with the degree to which intervention behaviors are actually performed. It may be measured by counting the proportion of relevant people performing the behaviors. For example, 60% of the employees in a particular work unit might be performing the job enrichment behaviors described above. Another measure of performance is the frequency with which the new behaviors are performed. In assessing frequency, it is important to account for different variations of the same essential behavior, as well as highly institutionalized behaviors that need to be performed only infrequently.
3. **Preferences.** This involves the degree to which organization members privately accept the organizational changes. This contrasts with acceptance based primarily on organizational sanctions or group pressures. Private acceptance usually is reflected in people's positive attitudes toward the changes and can be measured by the direction and intensity of those attitudes across the members of the work unit receiving the intervention. For example, a questionnaire assessing members' perceptions of a job enrichment program might show that most employees have a strong positive attitude toward making decisions, analyzing feedback, and performing a variety of tasks.
4. **Normative consensus.** This focuses on the extent to which people agree about the appropriateness of the organizational changes. This indicator of institutionalization reflects how fully changes have become part of the normative structure of the organization. Changes persist to the degree members feel that they should support them. For example, a job enrichment program would become institutionalized to the extent that employees support it and see it as appropriate to organizational functioning.
5. **Value consensus.** This is concerned with social consensus on values relevant to the organizational changes. Values are beliefs about how people ought or ought not to behave. They are abstractions from more specific norms. Job enrichment, for example, is based on values promoting employee self-control and responsibility. Different behaviors associated with job enrichment, such as making decisions and performing a variety of tasks, would persist to the extent that employees widely share values of self-control and responsibility.

These five indicators can be used to assess the level of change persistence. The more the indicators are present in a situation, the higher will be the degree of institutionalization. Further, these factors seem to follow a specific development order: knowledge, performance, preferences, norms, and values. People must first understand new behaviors or changes before they can perform them effectively. Such performance generates rewards and punishments, which in time affect people's preferences. As many individuals come to prefer the changes, normative consensus about their appropriateness develops. Finally, if there is normative agreement about the changes reflecting a particular set of values, over time there should be some consensus on those values among organization members.

Given this developmental view of institutionalization, it is implicit that whenever one of the last indicators is present, all the previous ones are automatically included as well. For example, if employees normatively agree with the behaviors associated with job enrichment, then they also have knowledge about the behaviors, can perform them effectively, and prefer them. An OD intervention is fully institutionalized only when all five factors are present.

Application 11.2 describes Hewlett-Packard's successful history of institutionalizing a new set of behaviors through structural change. It describes how culture and reward systems can play a strong role in both supporting and constraining change.[23]

Institutionalizing Structural Change at Hewlett-Packard

In May 2002, the hotly contested acquisition of Compaq by Hewlett-Packard (http://www.hp.com) was finalized. Unlike the major organization changes before it, the acquisition challenged the abilities of this perennial "most admired company" to execute a complex structural change. The success of the integration process described in Application 10.4 is partly due to a store of institutionalized knowledge and capability within the HP organization. This application describes a number of large-scale structural changes at HP. Its repeated ability to carry out such change speaks to the institutionalized capability to manage change.

Since its founding in 1939, HP has implemented successfully no fewer than a dozen major organizational changes, including the transition from a high-tech entrepreneurial start-up to a professionally managed company; from a small instruments business to a leading computer company; from a company oriented around complex-instruction-set computing technology to reduced-instruction-set computing technology; from a technology/engineering-based company to a market/brand-driven company; and, since the appointment of Carly Fiorina as CEO, from a "pure products" company to a services company.

HP's electronics and computer business was characterized by highly volatile technological and market change. It had to quickly adopt, innovate, and implement a variety of technological and organizational changes just to survive. HP's traditional and current strategies were built on innovation, differentiation, and high quality. Another important feature of HP, and one of its more enduring characteristics, is the "HP Way"—a cultural artifact that supports a participative management style and emphasizes commonness of purpose and teamwork on one hand and individual freedom and initiative on the other. Over time, however, the HP Way has been both a constraint to and a facilitator of change.

For example, the HP Way has been at the root of the company's difficulties in institutionalizing structural and behavioral changes to bring about more cooperation among the computer divisions. The initial structural change occurred in 1982 when HP transformed itself from a producer of high-quality electronic measuring instruments into a computer company. At the time, computers and computer-related equipment accounted for only about one-third of revenues and HP was structured into more than 50 highly autonomous and decentralized product divisions focused on specialized niche markets. Individual engineers came up with innovative ideas and "bootstrapped" new products any way they could. Organization members were encouraged to work with other engineers in other departments within the same division, but there was little incentive to coordinate the development of technologies across divisions. This focus on the individual was supported by a performance management system that measured and rewarded "sustained contributions;" the key to success for an individual was working with many people in the division. HP prospered by maximizing each of its parts.

Former CEO John Young's decision to focus on computers fundamentally shifted the keys to success. Computer production required a coordinated effort among the different component divisions and market shares large enough to encourage software vendors to write programs for their machines. In a culture that supported individual contributions over divisional cooperation, Young placed all the instruments divisions into one group and all the computer divisions into another group, a basic design that persisted until the spin-off of the Agilent instruments business in 1999. In addition, he centralized research, marketing, and manufacturing, which had previously been assigned to the divisions. Problems quickly arose. In one case, the company's new and highly touted graphics printer would not work with its HP3000 minicomputer. The operating software, made by a third HP division, would not allow the two pieces of hardware to interface.

In response, the computer group formed committees to figure out what new technologies to pursue, which to ignore, which of HP's products should be saved, and which would be shelved. As the committees came up with recommendations, the committees themselves kept multiplying. The company's entrenched culture, built around the HP Way's philosophy of egalitarianism and mutual respect, promoted consensus: Everyone had to have a hand in making a decision.

By 1988, the organization chart still showed a predominantly decentralized divisional structure. What it didn't show was the overwhelming number of committees that slowed decision making and product development. In one case, it took seven months and nearly a hundred people on nine committees to name the company's new software product. This web of committees, originally designed to foster communication among HP's operating divisions, had pushed up costs and slowed development. In the rapidly changing world of software, personal computers, minicomputers, and printers, the HP Way was hamstringing the organization's success. The ethic of individual freedom balanced by teamwork had produced an unwieldy bureaucracy.

After a series of delays of important new products, John Young reorganized the computer group. In late 1990, he eliminated most of the committees and removed layers of management by dividing the computer business into two groups: one to handle personal computers and peripherals sold through dealers, and the other to handle sales of workstations and minicomputers to big customers. To match the organization structure, the previously centralized corporate salesforce was split and assigned to particular divisions. This change focused HP's computer systems on the market and restored much of the autonomy to the divisions. The balance between individuality and common purpose that characterized the original HP Way was unleashed, leading to several years of strong revenue and profit growth.

In 1993, and before he was officially installed as the new CEO, Lewis Platt announced that HP would pursue the convergence of several base technologies, such as wireless communication, printing, and measurement, to create whole new products for the converging computer, communication, and consumer electronics markets. Implementing such a strategy again depended on strong coordination among HP's product divisions. To ensure that the gains in cooperation were not lost as HP embarked on its new strategy, CEO Platt tied division managers' incentive compensation to working cooperatively with other divisions to create new products that used multiple-division technologies.

The new structure was also a big success. Growth in the printer and PC markets drove revenues from \$13.2 billion in 1990 to \$38.4 billion in 1996, with profits growing in the same proportions. In 1996, they were the fifth-most-admired company in the United States. In the Internet world, however, their success was short-lived, and critics argued that Platt's subsequent attention to "soft" issues such as work/life balance and promoting diversity, rather than launching an Internet strategy, resulted in stalled growth. For 1997 and 1998, and aided by the Asian financial crisis, growth rates slipped to single digits. In the summer of 1998, Platt believed that HP had simply become too big and complex. In March 1999, he announced and implemented the spin-off of HP's \$7.6 billion instruments division, the business on which the company had been founded.

Shortly after being named HP's fourth CEO in 1999, and the first to come from outside the company, Carly Fiorina laid out her agenda: create a compelling vision for HP, implement a structure to support the vision, and launch a marketing campaign to build the HP brand. The vision called for a shift from a stand-alone products company to a services company. The structural change involved merging the four major product divisions into a group focused on computing and a group focused on printing. This structure for the first time united HP's laser and inkjet printing divisions and furthered the opportunities for computer products to coordinate their activities. Fiorina also announced a major marketing campaign focused on the HP Way's value of innovation. Then, in the fall of 2001, Fiorina announced the intended acquisition of Compaq computers.

The lessons of history have not been lost on the CEO. The acquisition process pulled knowledge from the experiences of other mergers and other changes within HP; it acknowledged the strengths and weaknesses of the HP Way; and structural changes have been backed up with changes in the compensation system. Few organizations have implemented as many major changes and still maintained both strong financial performance and corporate reputation. HP's history of seeing the need for, implementing, and reaping the benefits of structural change is a testament to its ability to institutionalize change, as these examples demonstrate.

SUMMARY

We discussed in this chapter the final two stages of planned change—evaluating interventions and institutionalizing them. Evaluation was discussed in terms of two kinds of necessary feedback: implementation feedback, concerned with whether the intervention is being implemented as intended, and evaluation feedback, indicating whether the intervention is producing expected results. The former comprises collected data about features of the intervention, perceptions of the people involved, and its immediate effects, which are fed back repeatedly and at short intervals. The latter comprises data about the long-term effects of the intervention, which are fed back at long intervals.

Evaluation of interventions also involves decisions about measurement and research design. Measurement issues focus on selecting variables and designing good measures. Ideally, measurement decisions should derive from the theory underlying the intervention and should include measures of the features of the intervention and its immediate and long-term consequences. Further, these measures should be operationally defined, reliable, and valid and should involve multiple methods, such as a combination of questionnaires, interviews, and company records.

Research design focuses on setting up the conditions for making valid assessments of an intervention's effects. This involves ruling out explanations for the observed results other than the intervention. Although randomized experimental designs are rarely feasible in OD, quasi-experimental designs exist for eliminating alternative explanations.

OD interventions are institutionalized when the change program persists and becomes part of the organization's normal functioning. A framework for understanding and improving the institutionalization of interventions identified organization characteristics (congruence, stability of environment and technology, and unionization) and intervention characteristics (goal specificity, programmability, level of change target, internal support, and sponsorship) that affect institutionalization processes. The framework also described specific institutionalization processes (socialization, commitment, reward allocation, diffusion, and sensing and calibration) that directly affect indicators of intervention persistence (knowledge, performance, preferences, normative consensus, and value consensus).

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Kenworth Motors

It began with a telephone call, as did so many of my engagements. The person calling identified himself as Robert Denton, the plant manager of Kenworth Motors' Seattle truck manufacturing operations. Denton said he'd gotten my name from Charles Wright, a client of mine in Seattle. Charlie is the OD manager for a major timber products company. I'd been doing several projects with Charlie's group of internal consultants for the past three years and occasionally served as the OD group's consultant. Denton noted that Charlie and he were members of the same sailing club. He went on to say that when, as someone relatively new to Seattle, he'd asked Charlie if he knew any consultants, Charlie had spoken highly of me. I remember thinking that Charlie probably wouldn't have mentioned me unless he thought I could be useful to Denton. My trust in Charlie's competence and judgment was very high.

Denton went on to explain that he'd been the plant manager for only eight months, that things seemed to be going well, but that he had a gnawing sense that things could be better. I must have murmured something appropriate because Denton invited me to visit him and become acquainted with his operation.

I was both flattered by and interested in Denton's invitation. After all, I thought to myself, it's nice to be wanted, a consulting engagement might come out of it, I always wanted to get behind the gate of the Kenworth plant, and Denton sounded like a basically smart guy and nice besides. However, reality intruded into my thoughts, as it often does.

THOUGHTS ON THE ROAD

I reminded Denton that I lived across the state in Spokane and added that I had limited time available in the short run. I noted that I had plans to visit Seattle in three weeks and could see him then, otherwise it might not be for a month. Denton sounded almost eager as he agreed to a 10 A.M. appointment on April 11.

The drive westward from Spokane across the state of Washington on Interstate 90 begins with several hours of boring highway. I had purposely put off thinking about my appointment with Robert Denton until I was on the road. As the interstate stretched out over the rolling sagebrush hills and checkered wheat fields, I turned my thoughts to Kenworth Motors and Denton. Uppermost in my mind was that I was about to talk with a man I knew little about, consult with a firm I knew very little about, and I had no focused agenda. What should I say and do?

As the miles went by, I envisioned several alternative scenarios for my upcoming appointment with Robert Denton, the plant manager of the truck manufacturing division of Kenworth Motors Corporation. I saw his office in several possible ways. It could be spartan and centrally located to the production floor. It could be conventionally furnished but of a fair size. It could be large. It might even be opulent. It could be personalized with mementos of career, hobbies, or family. It might be far from the production floor, or even in a separate building. The more I tried to envision Denton's office, the more alternatives came to mind. So I focused on Denton, trying to imagine him from the voice cues on the telephone—not old, probably fit, probably clean shaven. Again the futility of trying to imagine came home to me.

What did I think I knew? I didn't know much beyond a handful of facts about his title and his job tenure, the fact that he knew Charlie, believed things were generally going OK at the plant, and had some vague notion something wasn't quite right. I also had the distinct impression he had been fairly eager to talk with me—after all, he'd initiated calling me

and had quickly settled for an appointment convenient to me.

What did I really want to accomplish when I met with Denton? The more I considered this question, the more I pared down my answers. At minimum, it seemed for me a low-cost situation—a couple of hours of my time, perhaps some impressions of me that would be communicated to Charlie (though I believed Charlie and I had a relationship of mutual respect and trust based on a lot of shared work). On the other hand, there was potentially a lot to gain—perhaps another consulting job, perhaps more visibility and reputation in Seattle, which would be good for my business.

I decided I couldn't plan for our meeting in much detail; about all I could reasonably do was to be true to the posture I found to be useful in situations like this. I had to be myself, be as real as possible. I see myself as a curious, friendly person who basically likes others. I also know I can be bold and thought I might have to be to get the conversation going, to help Denton become clear as to why we were talking together, and to clarify my role.

I also wanted to leave our meeting with a decision to either go forward or not. While I didn't mind investing a little time, my time was valuable. I also felt strongly, as I always do, that I didn't want to work with anyone who I didn't basically like as a person or who didn't seem to genuinely want to do some real work. Seeing the Cascade mountains on the horizon, I began to feel easier. I'd be myself, whatever happened. Only one question nagged: Could Denton and I connect swiftly enough so there would be time to push for clarity in our possible work relationship?

MAKING CONTACT

At the Kenworth plant, the uniformed guard at the plant gate checked his clipboard, slipped around my car, and copied down my license plate number. Returning to my open window, he pointed ahead to a one-story brick building attached to the multistoried plant and told me I could park in the space in front and then go inside and identify myself to the receptionist.

The floor of the wide hallway inside the double glass doors of the office building was freshly waxed. Framed photographs of trucks and large buildings lined the walls. A middle-aged woman in a suit looked up from her desk and smiled. After I identified myself, she led me down a side corridor to an alcove and informed the secretary there who I was and that I was there to see Mr. Denton. She then turned to me, smiled again, and wished me a good day. The seated secretary told me Mr. Denton was expecting me, but was on the telephone. She gestured toward a bank of chairs and asked me to wait. As I sat down, I observed the corridor traffic, busy but quiet. I settled back to wait.

About 10 minutes later, a man of medium height and build wearing a sports jacket over an open-collared shirt came through the door behind the secretary and walked directly to me. He extended his hand, smiled, introduced himself as Bob Denton and motioned me into his office.

The office was larger than I expected. It was paneled and a large Persian rug was centered on the floor. At one end were a clean desk with side chairs and a table full of papers behind it. At the other side of the office were a couch and two stuffed chairs around a low coffee table. Drapes framed one large window that looked out on the parking lot. Denton asked if I wanted coffee, and I said I did. He went to the door and asked the secretary to bring us both coffee and added we were not to be disturbed. While waiting for the coffee, we sat on the two stuffed chairs and made small talk. He asked about my drive across the state; I asked about the framed sailing prints on the wall and whether he'd been sailing lately. We chatted about the Sonics, the Kingdome, and the coming World's Fair in Vancouver. After

our coffee arrived, I asked him to tell me about his plant and products.

Denton spoke excitedly for 10 or 12 minutes on a wide range of topics— the daily production rate of 23 trucks, the cost of a truck, the sales order backlog, some equipment updating just finished, his coming to this job from a plant in the Midwest, his spending a lot of time lately with the next year's budget, and so forth. My impression of Denton was that he was highly involved in his work. He spoke rapidly but clearly with enthusiasm. Finally, he leaned back, smiled, and said, "Well, I've been going on, haven't I?" I remember thinking I liked Denton's ease and his willingness to talk about his plant and himself. I'd already learned a lot about the plant and his job without more than looking interested. Denton certainly did seem likable, and he was younger and more casual than I expected.

GETTING DOWN TO BUSINESS

I clearly recall my response to Denton's question. "Actually, I've appreciated your sharing all this background with me. I've always been curious about this plant. Years ago, I had a part-time job when I was in college and used to deliver some industrial supplies in this end of town and always wanted to know what happened in this plant. All I could see from the road were those lines of big shiny trucks. It's nice to know they're built with care. But you asked for this meeting, Bob. Remember you told me that while things were going well here you sensed something wasn't quite right. Can you tell me a little more now?"

"Not really. I know the plant is doing fine. I feel pretty much on top of my job. I like what I'm doing here very much. My department heads—all nine of them—are all good people. All but two have been here quite a while. They're dependable, damn good at what they do, get along fine, and basically are good managers," he said.

"I get along good with everyone. I go out in the plant every day and circulate around. Things are moving smoothly. My two newer managers—one runs our purchasing and inventory, the other is in personnel—couldn't be working out better. Yet some things nag at me that I can't put my finger on. I guess it boils down to some crazy notion I have that while we get along fine and work together well, we haven't jelled together as a team quite like I'd hoped."

I bombarded Denton with questions, trying to find something that didn't hang together or might indicate a problem. No matter what I asked about—from union relations to accounts receivable, from engineering-production relations to turnover figures—Denton's responses were consistently factual and full, and everything seemed to be in remarkably good shape.

I caught myself from going on with more questions. Instead I said, "Bob, everything I've been asking about tells me you're OK. Maybe things here really are OK. Maybe you've just got some apprehension that things couldn't be that good. After all, you've been here long enough to really know. While there is some chance that you're not well informed, and some things aren't so hot, the odds are against it. About all I can suggest is whether you might want someone like me to independently confirm how things are going." Denton smiled as if to himself and replied, "Hmm, maybe, what would you suggest?"

"What's usually done in situations like this, if there is the interest and if there is the money to pay for it, is to engage someone like me to spend a few days interviewing a sample of managers and other key staff people to see what might turn up."

"From what you've heard so far, do you think that makes sense here?" Denton asked.

"Frankly, I don't know. It might be worth it to you just to learn things really are OK. What usually happens, however, is that I do find out about something that could be improved. After

all that's what I'm supposed to be good at, finding problems. One way or another, Bob, the mere fact I was here would have some impact. The word would spread pretty fast that some outsider was snooping around. What impact that might have I can't say. If things really are OK, my presence might mean little. If there are real problems, my being here would probably create some tensions, it could raise expectations that something would be done about them, and it could even cause problems."

Denton nodded, "I see what you mean. If you came in, it would cost me some bucks, it would have some risks in how my people reacted; one way or another I'd have to do something." He paused and then went on. "Well, to tell the truth, I don't want to upset things if they're OK, but just finding out whether they are or not appeals to me. Isn't there some other way to do this?"

Bob Denton seemed to me to be open to some minimal work by me. He'd responded as I'd hoped to my candidness about the risks of some conventional diagnostic snooping. He'd really seemed to pay attention to what I'd said, and I was beginning to like him and was intrigued with the situation. At times like this, my thought processes seem to jump into high gear. After all, a careful response was called for and there were a number of considerations to factor in. The things I recall noting to myself went like this: apparently some minimal motivation on Bob's part; my real lack of information about the Kenworth situation; my own schedule for the coming months—which was pretty full; my intuition that probably nothing major was wrong with Bob and his managers; and that whatever I proposed had to be of modest cost.

LET'S HAVE A RETREAT

I said to Bob: "Let me sketch out one idea that comes to mind. We could do a modest retreat. You, your department managers, and I could meet away from here for a couple of days, say on a weekend, to jointly explore how things are going. At minimum, I see several probable outcomes from such a meeting: everyone would get somewhat better acquainted with one another; we'd know better if there were serious issues to tackle; we'd have the experience of jointly going through problem identification; and you'd get a sense of whether or not your team was open to working with an outsider like myself."

I paused and went on: "Such a meeting would be relatively efficient. It wouldn't take time away from work, and it wouldn't cost an arm and a leg." Bob nodded, sipped his coffee and looked at me intently. "OK," he said, "I can see your points. Just what would we be doing?"

Seeing Bob's interest as well as warming to the idea myself, I went on to outline a retreat. I suggested doing it at a country club or lodge within a few hours' drive of Seattle. This setting was to provide a symbolic break from the customary business environment, and because it would cost everyone weekend time and the company the expense of travel, food, and lodging, it would show Bob's seriousness about the event. I then suggested we begin with cocktails and dinner on a Friday evening, work all day Saturday with appropriate breaks, and conclude by noon Sunday. Again, Bob nodded. He then asked, "But what would we do? What would you charge?"

I did some quick calculations and responded, "As for my fee, I'd have to bill you for a minimum of three days at my daily rate of $___ per day, and travel expenses—assuming Kenworth would provide food and lodging. As for what we'd actually do, that's more difficult to say exactly. Frankly, while I have several ways to get us started, I'd need to play it by ear. In general, it would be my responsibility to see we talked straight and a lot with one another to surface our concerns both big and small. I'm afraid you'd have to trust me on this." I said this last couple of sentences with some trepidation, knowing from my experience that most

managers would want much more clarity, but I needed to know how Bob was viewing me.

I was surprised at what happened next. Denton quickly agreed to have a retreat weekend as I'd outlined. We also selected a weekend a month-and-a-half away. He would find a site and let me know. In addition, we agreed he would use the phrase "a communications workshop" when he informed participants. Glancing at my watch as I left Denton's office, I saw it was just 11:30.

Questions

1. How well did the OD consultant prepare for the meeting with Denton? Would you have done anything differently?
2. In the discussion between the OD consultant and Denton, what was effective and ineffective about the consultant's behavior?
3. How effective was the contracting process described in the last part of the case? What is the scope and clarity of the agreement?
4. How would you design the upcoming retreat?

SOURCE: Craig C. Lundberg, *Cornell University*.

Peppercorn Dining

The partners of Square One Consulting were having lunch at Peppercorn Dining on the campus of All-American University. Although Square One was headquartered nearby, most of the consultants' business was conducted in other cities. The partners were enjoying having the opportunity to attend a seminar on a campus in their hometown. By chance, Drew Randall, the manager of Pep-percorn, noticed the trio and recognized Erica, who had worked her way through college as a student manager at the dining unit. Drew pulled up a chair and started to catch up on the two years that had transpired since she had graduated. The other consultants, Roger and Lynn, listened as they began to reminisce about the "good old days" at Peppercorn.

Erica recalled the time a swim test coincided with her first shift at the dining hall. She called to let the unit know she would be detained, and she finally arrived about an hour late. When Erica entered the unit, she was greeted by a supervisor who took her downstairs to change into the uniform of blue pants, blue-and-white-checkered shirt, a hair net, and a name tag, an outfit similar to what was being worn by the current employees. Erica was then taken to the dish room and informed she was receiving a verbal warning for being late. As the group laughed, the consultants chided Erica further by commenting that her sense of timing hadn't changed. Drew, however, suggested that times had changed.

DEVELOPING A CONTRACT

The consultants were eager to learn about Peppercorn, and Erica, eager to learn about the changes Drew had alluded to, asked about current operations at the unit. Drew, sipping on his coffee, commented, "Staffing is a nightmare. We can't find qualified people anywhere; recruiting and retention has become a constant challenge." Drew went on to explain that the labor market in the county had become tight due to the prosperous Reagan years. Garden County had become a boomtown and, as a result, the university was having difficulty gaining employees. Roger wondered aloud about the general steps Peppercorn had taken to offset the current labor shortage.

Drew, sensing the consultant's interest, openly discussed his perceptions of the dining unit. He stated:

> I would like to make Peppercorn a more pleasant place for everyone to work. I get great productivity out of these guys and they really care. It's just that there needs to be something more. Maybe morale is a little low. There's not much creativity involved in most of the tasks, but the cooks feel great when they sell out of stuff. However, when we sell out, it's probably because the forecast was incorrect rather than as a response to a good product. I take a humanistic management approach, maybe they just need some kind of support. On the other hand, I may give them too much autonomy since I let them manage themselves to a large degree.
>
> I believe that scheduling is management's right. I base my scheduling on operational need. Ultimately, the manager is responsible for the success or failure of the operation, therefore, I should have the right to put the people where I deem best. You know, niche management. Although, I did inherit a lot of the schedule.

As Erica tentatively nodded her head in response to Drew's comments, Roger and Lynn caught each other's gaze and shrugged inquisitively. By the consultants' behavior, it was apparent they were wondering about the meaning behind Drew's words. However, because he was obviously in the mood to talk, the consultants did not interrupt.

Warming up to his listeners, Drew continued, "Some employees have been at Peppercorn, working in the same position, for 20 plus years. Bob, the day cook, has been working here for 28 years. Can you believe that Doug, the night cook, has been here for 10 years and is waiting for Bob to retire so that he can transfer to the day shift? Doug may have to wait a long time since Bob won't be retiring for at least 15 years. It's hard for me to believe that Doug looks forward to that time and that he refuses to transfer to another dining unit."

"That's amazing," said Roger. "You seem to have loyal employees. It must be easy to manage people who know their job so well."

Drew responded:

> It's not that simple. The union contract forms a second set of rules and operating parameters. The contract deals with turnover, sick leave, pay, promotion, and all of the other usual stuff. It seems that there is no reward for non-sickness, but there is a reward for sickness. Now people get one and a half times the pay for sick days if they are on overtime. If they are on overtime, absenteeism is more of a contractual issue than a workplace issue.
>
> Frankly, I believe that staffing affects attitudes and attitudes affect quality; both of which affect productivity. Increased productivity means making better use of time. Perhaps I should structure the tasks in a better way, but managing and working behind the lines makes it difficult for me to see the trees through the forest. There's no time for anyone to stand back and see what's happening.

Drew paused and, as if speaking more to himself than to the consultants, said, "Since I've been so busy, maybe I've lost track of some of my priorities." Turning to the consultants, Drew inquired about their experience with situations of this type and what advice they might offer.

The partners explained they are usually contacted by organizations when management believes an external opinion could provide a fresh outlook on operations. They went on to state they normally begin their work by performing an operations audit, the results of which are presented to management. Additionally, when the situation warrants, strategic interventions are designed to facilitate the achievement of management objectives. The partners further indicated they believe it is essential to become familiar with an organization before appropriate suggestions can be made.

Without hesitation, Drew said to the consultants, "The situation here at Peppercorn has been concerning me for quite some time. I know that you must be very busy, but perhaps you could find the time to work with me. Erica already knows a lot about the operation, and it wouldn't take long for her to become reacquainted."

Because the consultants were planning to be in the area for several days to attend the seminar and to complete some paperwork, Erica suggested they observe operations at Peppercorn. The group, discussing Erica's suggestion, agreed that the first stage should be a preliminary evaluation of the unit, followed by a feedback session with management. Then, based on the outcome, management could conduct an in-depth operations audit. Drew concurred that evaluation and feedback could be useful first steps in achieving his goals. He restated that his goals for Peppercorn were to increase productivity and to improve morale among the workers.

The consultants concluded their discussion by telling Drew they would drop off a written contract by the following afternoon. The contract would include their fee structure as well as a schedule of the dates and times they would like to be on the premises.

REVIEWING BACKGROUND INFORMATION

Two days later, the team gathered around the table in Roger's office to discuss the Peppercorn consultation. Roger and Lynn initiated the discussion by reintroducing the subject of

Erica's objectivity. It became obvious that all three of the partners were concerned about how Erica's past experiences would bias her view of the operation. The partners also discussed the fact that Erica's views would influence Roger and Lynn's perceptions of the dining unit. Although Erica believed she could recognize and work with her bias, she suggested she focus on gathering current managerial data. Because their time was limited, Lynn recommended that Erica also conduct a few on-site interviews with people who would be more candid with an old friend than with strangers.

As he was reaching for a notepad, Roger asked Erica about the general operating procedures and the key personnel at Peppercorn. Erica began outlining the operation:

> Peppercorn's hours are 11 A.M. to 7:30 P.M., Monday through Friday. When I first started, we served about 1,500 to 1,600 lunches and 900 to 1,000 dinners daily. By the time I graduated, the counts were down by about 30 percent at lunch and approximately 50 percent at dinner.
>
> When I was a student worker at Peppercorn, there were full-time employees, all of whom were union members. There were also student workers, and we had our own student management staff. When I first started working, there were more student workers than when I graduated. Some of the gaps were filled by full-time temporary workers.

Lynn pointed out that it would be important to determine if these changes were affecting the operation. Erica agreed and indicated that by the time she had graduated, minor conflicts were arising between student and temporary workers at Peppercorn. Erica continued her briefing by providing an overview of the key personnel during her tenure with All-American Dining, the parent organization of Peppercorn.

Erica stated:

> Drew is obviously the manager of Peppercorn. He was also the manager of the Salt Mill over at the "B"-School. He was responsible to Stan O'Malley, one of the assistant directors of All-American Dining. Stan supervised Drew and Beth Clarkson, the manager of food service in the student union.
>
> John Cerrano was the receiving clerk. He always worked closely with Drew. There never seemed to be any problems with his work; he always knew where everything was because he received the goods and then put them in storage. John, or "Bo-bo" as we called him, was the shop steward. He had a close relationship with most of the employees and a bunch of us used to go out drinking with him regularly.
>
> Matt Copperfield was definitely a key player. Matt was the professional supervisor who handled inventory, purchasing, scheduling, and other administrative tasks. It always seemed as if he was at the heart of the operation. I can't remember her name, but there was a secretary who was also in a pivotal position. She had access to a lot of information and she was the source and respondent of all official Peppercorn communication.
>
> The student supervisors were the only other key players that I can think of at this point, and they had extensive responsibilities which included daily management, scheduling, and hiring of the student workers.

The partners' conversation shifted to the amount of time available for the investigation. Lynn asked her partners how much time they thought was necessary for conducting the initial investigation. "Well, Lynn," replied Roger, "based on the information we have so far, it's possible that the longtime employees may not be as open as we might like. They may be protective of their turf." Lynn agreed but added that they shouldn't jump to any conclusions. She noted that often it was the oldtime employees who were most interested in talking about their work.

The consultants agreed that three days should be an ample amount of time to gather the necessary data and to develop a presentation for the management of Peppercorn Dining. The consultants concluded the meeting by agreeing that Lynn would concentrate on the production

areas of the unit while Roger would survey front-of-house operations.

DAY ONE: INTERVIEWS AND OBSERVATIONS

Lynn was the first to arrive at Peppercorn the following morning. As she approached the facility, she noticed that three female employees were smoking cigarettes on the loading dock, joking around with a purveyor. Lynn introduced herself and lingered with the workers for a few minutes.

Back of House

Entering the kitchen from the loading dock, Lynn noticed it was clean and most of the equipment looked relatively new. The kitchen had fairly good fluorescent lighting, and natural lighting was provided by windows in the pot washing and food preparation areas.

As Lynn placed her coat and briefcase on a rack in the storage area, she observed that the dry goods were neatly arranged, although the supplies were not plentiful. From the storeroom doorway, she could see that the workers were busy, but not rushed. The members of the kitchen staff chatted as they worked and they appeared to know what tasks to perform without needing direction.

The kitchen was divided into five areas (as shown in Exhibit 1). After introducing herself to the workers and taking a brief tour of the kitchen, Lynn positioned herself near the walk-in cooler where she could easily see most of the kitchen operations. She noticed that the walk-in cooler and freezer were clean and were stocked with a moderate amount of supplies. She also observed that the workers' uniforms were clean. However, some of the workers were wearing aprons and some were not. As if reading her thoughts, a student worker passing through the room commented to no one in particular, "We're out of aprons again. Oh well, it's no big deal." Lynn wondered what else might not be a "big deal" to the workers.

The doors to the dining facility were opened at 10:55 A.M. at which time the pantry workers took a break.

Bob, the day chef, was grilling sandwiches in the tilt brazier while Robert, the day cook, was breading pork. Robert moved between food preparation, the fryer, and the steamer. During lunch service, the kitchen staff appeared to be relaxed. Although there was not much talking, they did joke with each other from time to time.

Shortly after 11:00 A.M., a man wearing a chefs uniform entered the kitchen and greeted the other workers. He then took a clipboard and a stack of computer printouts to a table near where Lynn was standing. Lynn felt a bit awkward until he introduced himself as Doug, the dinner chef.

Lynn explained she was observing the facility in order to become familiar with the operation. Doug showed interest in Lynn's curiosity and stated:

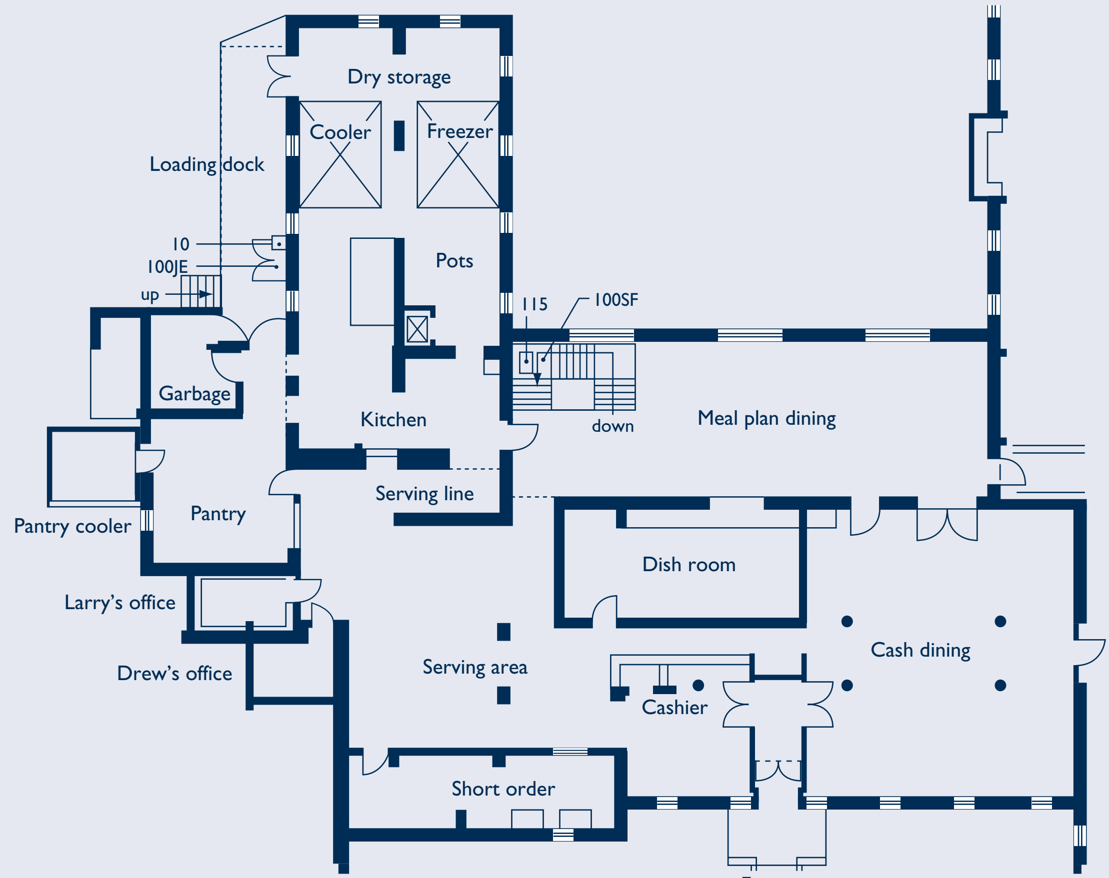
> I want the kitchen to run as smoothly as possible. I believe that it takes organization, mor-ale, communication, and a system to have an efficient operation. Communication is important. I ask the servers how things are working out so that I know if I should change anything. I try to maintain a routine system so there won't be many questions during service. I train all of my workers and I enjoy having the opportunity to teach. I've been in food service for 25 years and at Peppercorn for 10 years. I started working in the food service industry when I was about 11.
>
> I think that Peppercorn has the best food on campus. Some of my own recipes have been accepted by management and are now a part of the menu computer bank. I've also developed ideas that have been adopted here and at other campus dining facilities. For example, I started the trend of keeping plastic tasting spoons by the steam kettles. I'm also the person who started using a yellow marker to highlight important items on the computer printouts.

As Lynn and Doug were talking, a man came over and listened to their conversation. Doug's speech became hesitant in this man's presence. After only a few minutes, the man left. Lynn wondered who the man was and why he had such an effect on Doug. From the way he was dressed, there was no way to determine if he worked at Peppercorn, was from the union, or was part of the All-American management staff.

Coincidentally, Doug explained to Lynn that the man was Larry, the professional supervisor. He went on to say Larry plans the menus and tries to balance the use of ovens and kettles so the equipment is not overloaded. According to Doug, Larry prints out the menus from a computer located in the office. Doug added that the computer system does not always work the way it should. The system is supposed to print menus, compile order lists, and check

[Exhibit 1]

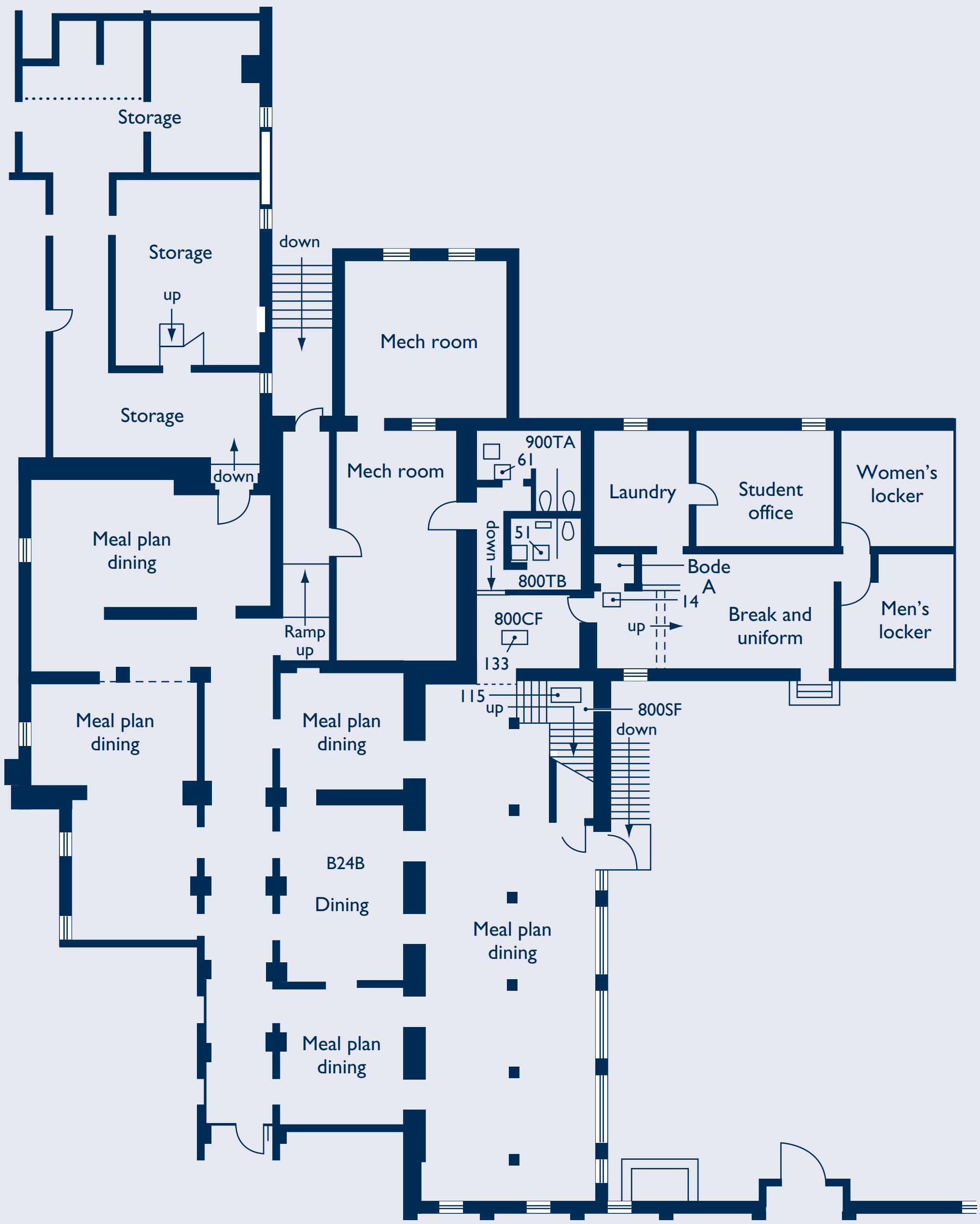
Floor Plan of Peppercorn Dining



First Floor

[Exhibit 1]

Floor Plan of Peppercorn Dining, (*continued*)



Basement

the inventory. Doug commented, "Sometimes it works well, and sometimes not. Sometimes the menus have to be changed at the last minute because of short stock. We haven't had any salt all semester. This is mostly a result of computer errors."

Doug went on to talk about some of his co-workers. Bob, the lunch chef, has been at Peppercorn for 28 years. Chris, the assistant dinner chef, has been with the unit for about three years. Chris, who moved to the kitchen from the short-order station, was trained by Doug. They enjoy sharing ideas and they always try to prepare the food a day in advance.

While Lynn was talking with Doug, she could see the cafeteria line by way of a pass-through window. She noticed that a steady flow of diners was entering the facility. Realizing that Doug enjoyed talking about the unit and being curious about Doug's responses, Lynn felt comfortable continuing the conversation. Observing a student supervisor restocking the hot food line, Lynn asked Doug how he felt about working with students.

He replied, "Some student workers are reliable, while others are less committed." Lynn asked Doug about the role of the student supervisor and in response Doug called the student over. The student seemed unhurried and went on to explain that student supervisors do not have any power over the regular workers; only over temps and other students. Students have their own management structure that includes a student coordinator, managers, and pay clerk. The student personnel coordinator handles complaints. Temps and regular workers take complaints to the regular personnel worker. More temps have been needed recently since there are less student workers at Peppercorn than in previous years.

As Lynn, Doug, and the student were talking, Larry entered the kitchen again. When the student noticed him, he quickly went back to work restocking the food line.

The activity in the kitchen seemed to be getting busier, and Lynn decided she should move to another position so Doug could continue his work. Before she left, Doug com-mented about the union. He stated, "Skilled workers are on the same union contract as unskilled workers. I think that this arrangement holds back the skilled workers and helps the unskilled to get ahead. It doesn't work well, and we don't even have a shop steward. The only way that I can move up in the organization is to become part of management."

Lynn bid Doug farewell and went into the service area to get some lunch. As she went through the cafeteria line, she noticed Roger observing the cafeteria service. Lynn invited him to join her for lunch, but Roger declined, saying he had just begun his observation and he wanted to spend some time watching service during the busiest hours.

Service Areas

Roger immediately noticed the line servers interacted a great deal with the customers. He also noted there was no portion control. The students would ask the line servers for "a little more spaghetti, just meatballs, no corn, more sauce, or a small cup of soup." Each customer wanted the standard portions or combinations of food items altered to meet their personal needs, and they were accommodated.

The first line server plates the entrees and the second worker serves the side dishes (see Exhibit 2). The workers must communicate in order to properly fill each order. The overall atmosphere in the serving area was relaxed. Roger timed the service and discovered it took two to four minutes for a customer to enter the line and be served during a busy period.

As the flow of customers slowed, Roger initiated a conversation with a line worker who introduced herself as Carrie. She told Roger she had been at Peppercorn for 10 years and was a door checker for 9½ of those years. She explained the door checker made sure that

[Exhibit 2]

Line Servers Setup

Starch	Vegetable	Backup	Entree	Entree
Soup	Vegetable	Entree	Entree	Entree

Server 2   Server 1

only diners on the university meal plan were allowed in the noncash dining area. She went on to say she had become bored with her position. She was also dissatisfied with her former hours, which were from 11 A.M. to 7:30 P.M. Carrie attained her new position with Drew's help. He facilitated a trade between her and a line server. Now that the swap is final, Carrie believes the other woman, who is now the door checker, may not think the trade was equitable.

During his conversation with Carrie, Roger saw the chef come out of the kitchen and pick up an empty pan. The chef lingered for a minute. He appeared to be watching the line service. Roger returned his attention to Carrie and continued the conversation by asking her about line staffing. Carrie explained, "Usually there are three main workers on the line, two full-timers at one station and one student or temp at the other. We choose our own positions on the line and we usually stick to the same spots. When it gets busy, additional student workers fill in. Today one full-timer is sick, so a temp from another area filled the position. Sometimes they can't find substitutes, so we just have to work that much harder."

Roger stepped aside as a student worker carrying a tray of soup cups began to restock the service line. Roger apologized for any inconvenience and explained he was a member of a group learning about the operations at Peppercorn. Roger asked the student if he could take a moment to tell him about the relationship between student and nonstudent workers.

The student explained that Peppercorn is supposed to be staffed primarily by students. The students are grouped into three segments: student managers, student supervisors, and student workers. However, he said, "Since the supply of students has been diminishing over the years, more temps have had to fill the positions. There's a lot of tension between students and temps as well as between students and full-timers. This isn't surprising since the students supervise the operation. They call us 'students' as opposed to 'supervisors' and we seem to be stereotyped."

He clarified his statement, saying, "There's a discrepancy with age, economic status, and experience in many cases. Only the full-timers and the professional managers are not under the supervision of students. Students have a difficult time supervising older people, and older people have a difficult time taking orders from young people who they probably consider similar to their own children."

The student went back to work, leaving Roger to his thoughts. He was reminded of the conversation that he had with his partners about the conflicts between student and nonstudent workers. It was becoming clear to Roger that this was an important issue.

Just as Roger was beginning to consider the problems that can arise from role conflict and role ambiguity, he was startled by the sound of shattering glass. Roger turned in time to notice a student stepping away from a broken glass, acting as if nothing had happened. Several dishwashers, on their way to the drink station, also saw the broken glass as they walked by. Roger was curious to see how long it would take for someone to clean up the mess. Two minutes later, a dishwasher returned and swept up the glass. During this time, a student supervisor was informed of the problem. Roger noted she never returned to make sure the situation was corrected.

Roger followed the dishwasher toward the dish room. As he rounded the corner of the serving area, Roger heard the sound of blaring rock music. Roger had to weave his way through a narrow passage that was blocked with customers at the cashier's station.

As he entered the dish room through an open doorway, Roger was greeted by a mixture of machinery noise, loud music, and a hot, humid atmosphere. The machinery was arranged in a pattern that allowed many people to perform different tasks simultaneously. The five workers gave Roger a cursory glance and continued with their tasks.

Roger, feeling a bit out of place and self-conscious, stood to one side of the work area and watched the activity. There was a lot of joking, talking, and interacting as the workers sorted and cleaned dishes, silverware, glasses, and trays. Full dish trays were stacked at the rinse station. Each rack was rinsed and then sent through the dishwashing machine. When the dishes completed their cycle, a worker sorted the dishes. Roger noted the worker put several freshly washed dishes into racks with dirty dishes. He also noticed the silverware was run through the dishwasher twice.

Roger wanted to know why the silverware had to go through the wash cycle two times, so he asked the dish sorter who was positioned at the end of the line. The sorter said, "We're concerned that plates and especially the silver are clean. We wouldn't want people catching something from someone else."

The sorter asked Roger what he was doing in the dish room. Roger explained and then asked the worker how long he had been at Peppercorn. The worker said he had been at Peppercorn for a year. Further discussion revealed the worker is on a split shift. He works from noon to 4 P.M. and then from 6 P.M. until 10 P.M. He said he likes having a midday break in order to get things done in his personal life. He explained that he knew three of the other workers before he started the job. Because he was the newest employee in the dish room, he was stationed at the hottest position. He pointed out that the two full timers he worked with had held their positions for four and two years, respectively. The other three workers, including him, were temps.

The worker finished sorting and left the dish room to get his co-workers a cold drink. Roger went over to the area where workers were scraping and sorting dirty plates. The dishes and filled racks were piling up. Roger noted the dish machine was not able to keep up with the demand. He also saw that the paper items were shredded with the food scraps and that Styrofoam was sorted separately.

The oldest woman in the dish room yelled out from time to time, "Come on, keep it movin'." Roger spent a few more minutes observing. As he recalled Erica's story about her first day at Peppercorn, Roger wondered why there were no students working in the dish room. As he was leaving, a student supervisor came in to get trays for the service area.

Roger proceeded to the cashier station where he found the dish sorter chatting with the cashier. After a minute, the sorter returned to the dish room. Roger struck up a conversation with the cashier. After briefing her about his project, the cashier proceeded to tell Roger

about some of her observations and experiences at Peppercorn.

She explained that the cashier's job is a full-time, nonunion position she has held for two years. She replaced the person who is currently the secretary. She enjoys having the opportunity to meet people and getting to know the regulars, but she has found that some of the students are rude.

The cashier stated, "I usually get along well with management. Everyone has their good and bad days. I was a manager in my previous job, so I understand what Drew has to deal with. I also understand the problems that the student supervisors have." Roger wondered what the cashier meant by this statement. What does Drew have to deal with and what problems do the student supervisors really have to deal with? Thus far, he had noted that the operation appeared effective, although some communication problems were evident.

The cashier, seeing Drew passing by, stopped him and asked him for more change and small bills. Roger asked if it was standard procedure for her to ask managers for more money, or if she was able to get it herself. She replied she is authorized to get cash, but it is difficult for her to leave her station.

While the cashier was waiting for Drew to return, Roger asked her about work conditions. The cashier replied:

> I get cold in the winter because I'm so close to the entrance and the wind blows in. It's ironic because the rest of the workers complain about it being too hot at their stations. Peppercorn is built over heating ducts, so it's very hot everywhere except at my station. People's biggest complaint is the heat. There isn't adequate ventilation or air flow. Another common complaint is that there's not enough room in the dining, kitchen, and service areas. This is because Peppercorn used to be a riding stable.
>
> In the winter I get sick easily, but I only miss about five days per year. I've learned to live with not feeling well on the job. I have a sore back every night because I set on a bar stool all day.

Before Roger could inquire if she had ever talked to management about her work conditions, she stated, "I'm the only cashier. I have to call on the secretary when it's really busy, but I know she has a lot of work to do. I also restock silverware. This entails shutting down the register, running to the dish room, and then restocking before the register line gets too long. Our job descriptions say that if someone sees something that needs doing, they are supposed to do it. Therefore, during slow periods I help clean tables, do the menu board, and look around for other things to do."

Roger asked the cashier about her plans for the future, and she explained she would like to have a secretarial job so she could get away from food service for a while. The cashier went on to say there are temps and students that make more money than she does as a full-timer and this disparity makes her resentful. The wages seem to be based on job position or union membership. Only four positions are nonunion. These positions include the cashier, secretary, supervisor, and manager. The rest of the workers at Peppercorn are temporary, union members, or students. The cashier added there are only five single people on the staff.

When Roger asked the cashier about the relationship between student and full-time workers, she replied there is a lot of pressure in the dish room. She believes the pressure builds up because the student supervisors never send student workers in to help. The supervisors' excuse is that they are short of help elsewhere. Drew returned with the cash, and Roger went to see if he could find his partners.

Administrative Information

Roger found Lynn and Erica sitting in the dining area. Erica was telling Lynn she had arranged for them to have dinner with some students that evening. Roger sat down with his partners

and asked Erica if she could clarify some details about the organizational structure.

Erica responded, "There are three tiers of management at Peppercorn (Exhibit 3). There is the professional management staff, which consists of Drew and Larry. They oversee the full-time workers. There are also student managers and student supervisors. The student managers oversee student supervisors as well as the student workers. The student supervisors are responsible for daily operations. The student workers and the temporary employees report to them. It seems, however, that the temporary workers also report to, and are trained by, the professional managers."

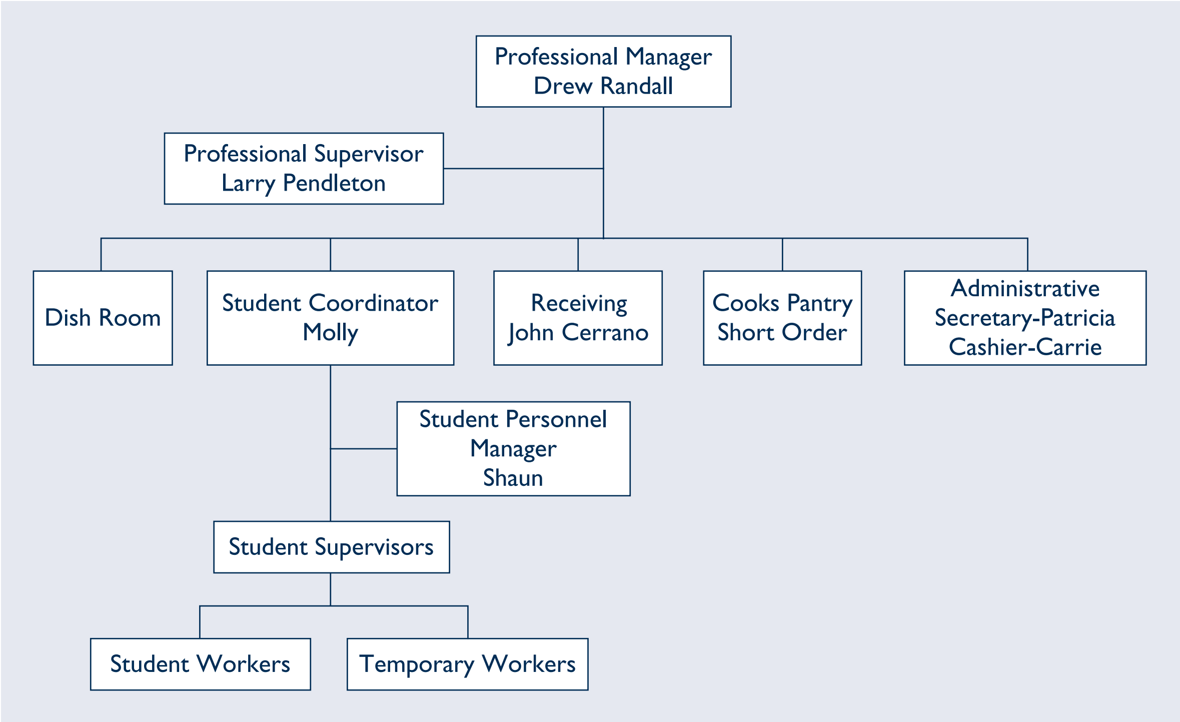
Roger and Lynn interjected that they had noticed difficulties between the students and the other workers at Peppercorn. Lynn asked Erica if she would clarify the distinction between the different levels of employees. Erica clarified the organizational structure stating:

> There are full-time union employees, full-time nonunion temporary employees, and student labor. Full-time employees hold the positions of cooks, short order chefs, pantry workers, and cashiers. In past years, students filled all the other supplementary positions, including dishwashers, servers, cooks, helpers, short order helpers, pantry helpers, beverage servers, and serving area floaters. For the past four to five years, fewer students have wanted jobs at Peppercorn. This phenomena has resulted in the addition of the third type of employee, the full-time temporary worker.

Erica went on to tell her partners that she had gathered enough information to update them on the key players at All-American Dining.

[Exhibit 3]

Peppercorn Dining Organizational Chart



She explained that Larry Pendleton is the new professional supervisor, replacing Matt Copperfield at Peppercorn. In the central office, Nancy Lawrence is still the director of All-American Dining (Exhibit 4). She has been spending a great deal of time traveling to different universities in order to analyze their food service operations. Stan O'Malley is still an assistant director of All-American Dining. Although there is a central office, each unit is independently operated.

Roger asked Erica is she had the opportunity to speak with any employees and if she had been able to uncover any information about management-employee relations. Erica told her partners she had spoken with John Cerrano and some of the pantry workers.

Erica went on to say she and John spoke about changes that had occurred at Peppercorn since she had left. John told Erica the lack of student help has hurt operations at the unit. For example, a special dining event that Peppercorn sponsored last night was difficult for the workers. There were virtually no students on the staff. As a result, the full-time workers and temps had to pick up the slack.

John also commented that Larry doesn't listen to his advice about ordering food. John spends a lot of his time getting food items that should have come in from the suppliers from the other units on campus. According to John, Larry doesn't have the respect of the staff. He doesn't take anyone's advice and acts like a know-it-all. The situation is made worse because Larry doesn't do his job very well.

Erica went on to discuss the pantry workers stating:

> The workers seemed to indicate a general belief that the management of All-American Dining, as well as the management at Peppercorn, doesn't really care about them. They mentioned how All-American's previous personnel director used to visit the different dining units at least once a month and talk with the full-time employees. During that time, the workers felt that someone cared about them. They said that the new personnel director doesn't come around at all and probably doesn't even know who the full-time employees are.
>
> The workers also told me that there is minimal union representation for food service employees. According to the workers, food service members are a minority faction of the union and aren't considered important unless a strike is in progress. Apparently, the union's primary concern is with maintenance workers, groundskeepers, janitors, and bus drivers. There's no shop steward and union officials don't come to Peppercorn unless there is an official grievance.

Lynn added that Doug had also commented on the union. She stated, "Based on what we have heard so far, no one is thrilled with the union. Workers and management alike seem to find the union a burden."

Roger asked Erica about how each unit on the campus was staffed. Erica explained that the units were independently staffed and at the beginning of each semester, the different units held recruitment campaigns.

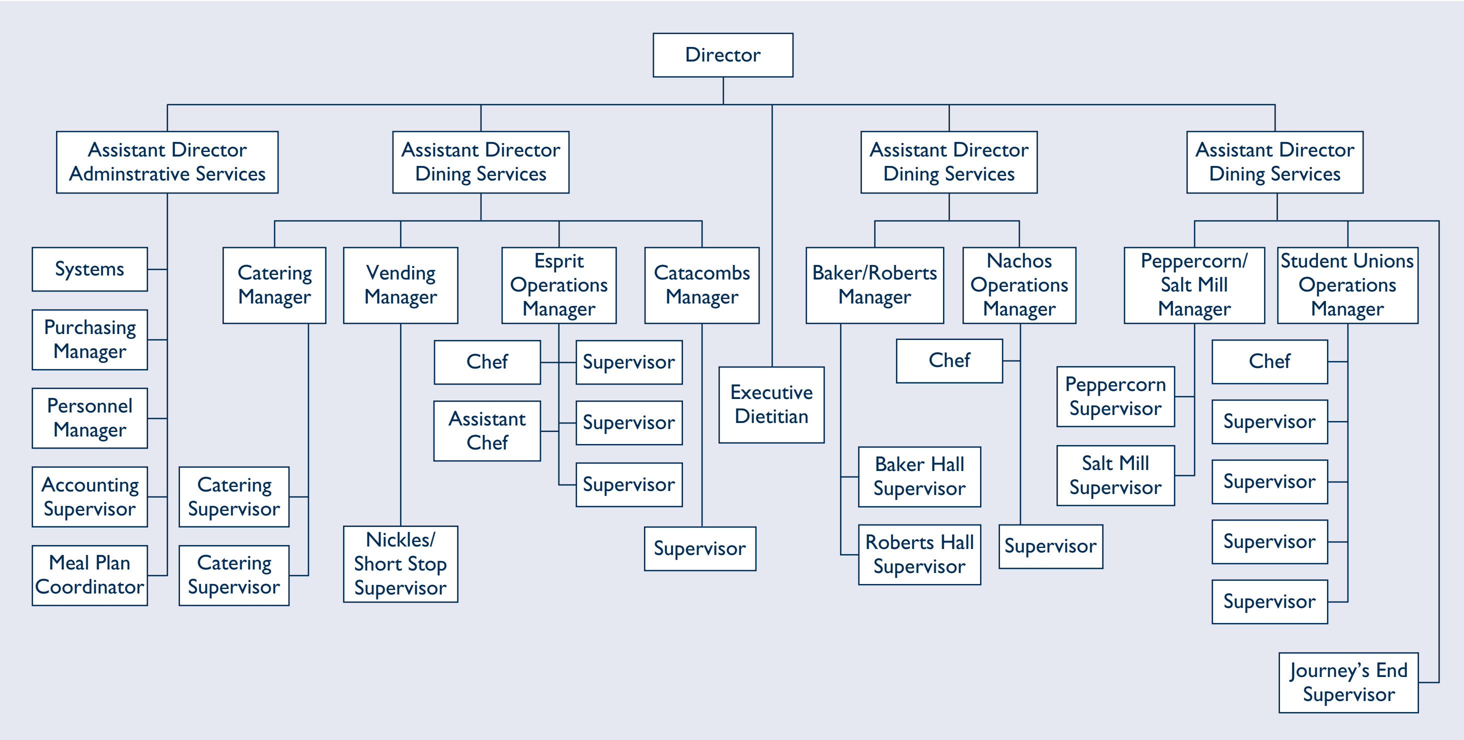
Erica became quite excited as she stated, "OK, enough of the routine stuff. One thing that I found out today is that the university is building a new 400-seat dining facility. Also, a privately funded food service operation that will include a variety of dining concepts is opening nearby. Of course, these things will impact Peppercorn, but the scoop is that Drew will be the manager of the new facility!"

Erica, acting quite pleased, sat back, smiled, and waited for her partners to respond. Lynn paused only for a moment and then, turning to Erica, said, "This isn't making much sense, but, before I ask the obvious, why don't you tell us the rest of the facts?"

Erica, a little disappointed at the response her comment evoked, went on to explain that Drew would be leaving Peppercorn in about five months and that Eric Weston, the current vending manager, would take charge of the unit as soon as Drew left.

[Exhibit 4]

Department of Dining Services



As Lynn and Erica began to engage in an intense discussion about the future of Peppercorn dining, Roger, in true form, looked at his watch and stated, “Well, not only do we have a contract, we also have a dinner engagement in 20 minutes. Let’s get some fresh air before we meet with the students!” The partners began laughing and, recognizing the sanity of Roger’s comment, decided a break was in order.

Dinner with Student Managers

After freshening up, the trio returned to Peppercorn to meet the students for dinner. Molly, the student coordinator, and Shaun, the student personnel manager, were waiting for the consultants at Peppercorn’s main entrance. The five of them went through the cafeteria line and then entered the dining room, where they found a quiet table to have their dinner.

Shaun seemed to know why the consultants had asked them to dinner and began to tell them about his tenure at Peppercorn. Shaun explained that when he had started at Peppercorn four years ago, there were two to three times the number of student workers. He went on to say more students made the work fun and the operation ran more efficiently. Shaun explained it is hard for the students who have been at Peppercorn for a long time because they know how it used to be.

Molly agreed with Shaun, saying students would work at Peppercorn because it had a reputation for being social. “To attract student workers,” Molly said, “Peppercorn must become special, more conducive to meeting students’ needs. In the early days, students were proud to be Peppies and looked forward to seeing their co-workers.” She proceeded to say they have to treat students well because they can’t risk alienating anyone. They can’t afford to fire students or give them too many warnings.

Erica asked the students to comment on working with the temporary workers. Shaun said, “The temp-student relationship is not great. Temps are under the student supervisors’ authority, but it doesn’t really work that way. Temps are less efficient than students, but they are needed to fill the vacant positions. They are probably not as efficient because they have less loyalty to Peppercorn than the students.”

Molly interjected, “This year, no students and temps work in the same areas except for emergencies. Temps are trained by the professional management but are supervised by students. Last year, it was unclear who was in charge of the temps. This year it is better. Most things are written in manuals.

“The regular and temporary workers don’t talk much to the students,” continued Molly. “Temps and full-timers think students are stupid; they have an attitude toward students. It’s hard for the students to get cooperation and respect from the temps.”

Lynn asked the students about their relationships with Drew. Shaun and Molly explained that while most students don’t interact with Drew frequently, they, as supervisors, meet with him regularly. Most of the students think Drew is rude and cold and unapproachable, but they have found he can be very patient. Additionally, many students don’t believe Drew is knowledgeable about food service operations. Molly and Shaun have discovered that he is, in fact, an astute person. They attributed his reputation to a lack of accessibility, noting that Drew is generally more accessible to the full-time and temporary workers than to the students.

Lynn further inquired about the students’ reactions to the forthcoming management changes. Molly replied, “Since most of the students don’t work closely with Drew, we really can’t foresee the change having much of an effect on them. Most students don’t have any preconceived ideas about the new management.”

Shaun disagreed with Molly stating, “It’s going to be hard for a new manager to come in midyear. The transition will cause problems since the new manager won’t have the experience. I think that the new manager should change things

quickly. New student workers are recruited by us in the spring and meet their supervisors when they begin working in the fall. They immediately have some respect for their supervisor. I think that the new manager will be in a bind."

Molly said she believed the change would have a greater effect on the full-time and temporary workers than on the students. She has heard some workers mention they are concerned because Peppercorn's future is unclear. Many of the full-time workers are loyal to Drew; they have become comfortable with his management style.

Roger, addressing Molly, asked about communication at Peppercorn. Molly responded:

> Communication has been a major problem. The students thought that if they left me notes, things would get done. I would take the notes to management, but important things were not noted as being important. Mostly, the problems were repair and maintenance issues. People brooded that things didn't get done quickly. They didn't realize that most things have to go through a lot of channels, which takes time. There is so much paperwork involved. Now the students make special notations when issues are urgent so that I can establish priorities.
>
> An area that is related to communication is ordering. There are a lot of problems with Larry. Last year, we had a problem with the person who filled a similar job but the job description has changed. Last year, the kitchen workers were getting burnt out. Larry revised the menus and for a while the kitchen seemed better. Larry just doesn't do his job well and we constantly run out of things.

Roger asked about the student pay structure at Peppercorn. Molly told him the pay rate has been changed twice. The effect is that workers are kept on the same pay grade because the raises push people back to level one. The only workers who benefit from the changes are the student managers.

Shaun noted that one of the most frustrating situations at Peppercorn was the lack of student interest, something that could not be controlled. Even when the wages were raised, no one applied for jobs. Shaun added that the student supervisors are upset about paying for their meal plan tickets because many of them worked their way through school.

It was getting late and the students had to attend classes the next morning. The consultants thanked the students for being so candid with them. After the students left, the consultants discussed their impressions of Peppercorn.

Roger commented that their earlier concerns about the willingness of employees to speak with them were unfounded. Lynn agreed, noting that although most of the workers seemed to be quite open, Doug was an exception. He was eager to talk, but the discussion seemed contrived. He seemed to be conveying information that he thought she should know and was careful to portray himself and the operation in a favorable light. Lynn said she thought he was concerned about possible repercussions from his responses.

Lynn went on to recount the interactions she had observed earlier in the day between Larry, Doug, and the student supervisor. She then commented, "Larry is an interesting player. All of the workers mention him. He seems to have a lot of power over the other workers, yet he seems to govern by fear. The workers become timid in his presence, nonetheless, they don't appear to have much respect for him."

Picking up on Lynn's train of thought, Roger noted that in his conversations and observations throughout the day, he had begun to wonder about the social system at the unit. He commented, "Although the organization was highly stratified, operations still seem to run smoothly. While workers may be timid around Larry and even fear Drew, the fact that operations are smooth and that the workers appear to be loyal indicates that personality conflicts and role ambiguity are symptoms of a larger problem."

"That's true," said Erica. "The unit always had a reputation for being a social environment. In the past, we were able to overlook personality and role conflicts because there was a strong culture at the unit."

Noticing that the cleaning crew was beginning to break down the dining room, the partners decided to call it a night.

DAY TWO: INTERVIEWS AND OBSERVATIONS

Erica arrived at the dining hall at 10:30 A.M. As she climbed the stairs beside the loading dock, she noticed a worker was in the car wash, hosing down the trash cans. As she entered the kitchen, Erica spotted Drew helping out in the pantry. They greeted each other cordially and chatted for a few minutes. Drew, taking off his lab coat, said he was due at a meeting on the other side of the campus.

Erica left the kitchen and went into the office to gather more information on the structure and operations of Peppercorn. When she entered through the open office door, she found Larry working at the computer, placing orders with the central purchasing system. Larry explained to Erica that the computer system had not been working properly. It is supposed to generate order lists and inventories based on the menus that he inputs. He indicated, however, there must be some problem with the system because the orders are not coming in, and when they do, they frequently are late. After providing Erica with some literature such as employee handbooks, Larry suggested she talk to Patricia, the secretary at the main office.

Erica followed Larry's suggestion and on her way out of the unit she met Roger. She explained she was planning to visit the main office and said she would meet her partners in the late afternoon to discuss her findings.

Roger wandered around the unit for over an hour, observing the lunch service. During the first hour, the cafeteria was packed with customers. Roger noticed the student supervisors were busy refilling the salad and beverage stations. Shaun helped by restocking glasses and trays. The cafeteria line became long and at one point, Drew, having returned from his meeting, helped serve food. Roger noted that by the end of the lunch period, the cafeteria was short on silverware.

As the lunch service slowed, Roger decided to take a look at the student office. As he entered the downstairs dining room, he immediately noticed it was very hot, that a large percentage of the tables were dirty, and that many of the light bulbs in the dining room needed replacement. Roger located the student office and what appeared to be a small gathering or meeting area.

From the open office doorway, Roger could see a bank of time cards on the wall. Roger also noted the office contained a suggestion box. As he peered in the door, he was greeted by the sound of a woman's voice. Roger entered and introduced himself. In response, the woman identified herself as Sarah Lange. Roger asked Sarah if she would be willing to discuss her work experiences at Peppercorn.

Sarah began by saying she had worked at Peppercorn for three years and had been a student supervisor two years. Sarah stated, "Working at Peppercorn is not as much fun as it used to be. Although the job was never easy, it has become increasingly difficult. As supervisors, we don't really manage any more, and the upper-level student managers like Shaun don't work and don't care. He won't even help out when we are short staffed."

Sarah described an incident when Naomi, another student supervisor, was working a snack shift that was understaffed. Shaun, aware of the problem, stayed downstairs at his desk. When Naomi went downstairs to ask him for help, he acted ambivalent. Shaun finally helped in the dining room for about 20 minutes.

"In contrast to Shaun," Sarah commented, "Molly is willing to pitch in when we are short staffed, but this has caused her to become burnt out. Molly has a hard time dealing with problems that arise among the student supervisors. A few days ago, she called a meeting and told us there was a new policy restricting the snacks that we were allowed to eat. She also told us that we were scheduled to work on

special dining programs, which are always at dinnertime. The whole time that Molly spoke with us, she was really curt and acted like she was annoyed. We don't even have a student rep to complain to anymore. At least Molly is leaving at the end of the school year."

Sarah said that although she is not very happy working at Peppercorn, she does not want to quit. She has loyalty to both her fellow workers and to the unit. Sarah said she would definitely quit if some of her friends, who are also supervisors at Peppercorn, stopped working at the unit.

Roger thanked Sarah for talking with him and wished her luck in the future. As he walked up the stairs to the service area, Roger made a mental note to talk to his partners about information flow and to further discuss coalitions within the unit.

While Roger had been observing service, Lynn, who arrived at 12:30, had entered the unit from the loading dock. Hoping the workers would be less self-conscious if she was undetected, Lynn quietly observed operations for almost an hour. During that time, Lynn noticed the steam kettles were draining, and much like the previous day, the kitchen workers appeared unhurried but attentive to their tasks. The manner in which they worked seemed highly professional and reflective of the long years the employees had worked together.

When Doug finally noticed Lynn, he greeted her warmly and began to chat with her. As Doug and Lynn were talking, a man who Doug said was a short-order cook walked through the kitchen. He stopped and stared at Lynn for a moment and then asked, "Are you with the health department or the union?" Lynn introduced herself and explained the nature of her project. The man stared at her again briefly and then walked away.

Doug excused himself and Lynn, left to her thoughts, wondered if the man had accurately stated the paranoia she had perceived in Doug the previous day. Doug returned a few minutes later with a cup of soup and offered it to Lynn, saying he thought she should have the opportunity to taste Peppercorn's good food. As Lynn was finishing the soup, she saw two students walk through the kitchen carrying tacos. They proceeded to the loading dock and began to eat their meal. Lynn, wanting some fresh air, went out to the dock and began to converse with the students.

The students told Lynn they had worked at Peppercorn for three years. One of the students said, "Peppercorn used to be a better place to work. We used to have more students working here. The unit always used to be cheerful, and they used to buy beer and have parties on Friday nights."

Lynn asked what had caused the situation to change and the second student replied, "Drew is much tighter about things. The management is only concerned about customers and not about workers. When I first started working here, we had to mop the floor, but there were a lot of students so it was more fun. Then they didn't make us mop any more. Now we have to mop again, but there is not as much camaraderie among the workers."

The worker continued, "What makes the situation worse is that we can't even mop properly because we are always short of supplies. We haven't had any bleach for a week."

Doug came out to the loading dock and said he was going on break. He wanted the students to come inside so he could give them instructions before he left. Doug told the students that because there was not much work to be done, they could work at a slow pace or even sweep the floor so they could work their full shift.

Lynn followed Doug and the students back into the kitchen. Bob and Robert were finishing the lunch cleanup, and Chris was looking at the dinner menu while eating a snack. When Chris saw Lynn standing alone, he approached her and immediately began to tell her about his work experiences and views of Peppercorn.

Chris told Lynn he likes working at Peppercorn. In the same breath, he said he had recently

seen ads for positions at a hotel and plans on applying for jobs. Chris said, "I think the food service industry is hard. We're always working when other people are off, and it's hard to get good financial compensation."

Chris went on to explain that the management at Peppercorn does not give the kitchen staff feedback. He believes this is because management does not eat at Peppercorn often. He also said the management is very cost oriented and won't bring in the best quality products.

Chris went on to state:

> Dining used to pay for us to attend professional culinary classes. Now they don't want to spend the money, so they present lectures by campus chefs. It doesn't accomplish much since we are usually taught things that we already know how to make or things that are not within the budget constraints. It doesn't make sense that they are willing to shell out bucks for things like unit specials and management classes and not spend any money on us.
>
> It's hard to get new recipes on the menu. I've tried, but I'm usually met with resistance. I guess that in large quantities they can't afford mistakes. Once, they let us try to test market a new recipe by putting out small chaffing dishes in the meal plan dining room and then asking students for comments on the product. It worked out fairly well and we've used the recipe several times.

As Lynn was wondering about Drew's comment on being a participatory manager, Erica entered the kitchen and came over to tell her she was able to gather some information from the main office. Lynn thanked Chris for speaking with her, and she and Erica went into the service area to find Roger. Roger was chatting with some customers near the salad bar. When he saw his partners approaching, he concluded his conversation.

The consultants each purchased a beverage and on their way to the dining room, Roger told his partners that customers generally had a favorable impression of Peppercorn. They like the food but thought the service was too slow. The only other comment the customers made was that the dining areas were too warm. Erica added that when she had worked at Peppercorn there were rarely any complaints about the food, but they constantly received negative feedback about the heat.

After the consultants were seated, Roger asked Erica what she was able to discover about the structure of the All-American Dining organization. Erica showed her partners copies of the organizational chart, mission statement (Exhibit 5), and goals and objectives (Exhibit 6). Erica went on to describe a few of the things she had discovered that day. For example, menu and staffing changes had to be approved

[Exhibit 5]

Mission

The mission of All-American Dining is to meet the nutritional, social, aesthetic, and economic needs of the university community with varied and innovative dining services. By meeting these needs we:

- Exert a strong and positive influence on community life.
- Provide educational opportunities for students, staff, and faculty.
- Create a living environment that will help maintain All-American's position as an outstanding center of learning.

The challenge is to accomplish all this within the framework of the enterprise concept.

[Exhibit 6]

Goals and Objectives

The goals of All-American Dining are closely interwoven with those of the Division of Campus Living and the University. These goals and related objectives are outlined below.

I. **Customer Satisfaction.** The primary goal is to provide the All-American community with a nutritious, economical, and quality dining program. The objectives are to:
- Provide high-quality cuisine at an affordable price.
- Conduct surveys to determine customer satisfaction and provide guidelines for change.
- Maintain a variety of quality dining services, including: cafeterias, professional catering, vending, and retail food outlets.
- Offer special dining experiences such as gourmet cuisines, unit specials, and community dining events.
- Create flexible and cost-effective meal plans and options that give customers a wide choice of dining times and locations.
- Maintain the highest standards of health and safety.

II. **Excellent Facilities.** The department's goal is to maintain dining facilities in superior condition.
The objective is to continually assess and maintain the functional and aesthetic design of facilities in the comprehensive context of the following:
- An ever-changing and varied customer market.
- The need to assure that production and service areas are clean, safe, efficient, and comfortable.
- Budgetary constraints.
- Department and university master facilities planning processes.
- Energy conservation goals.

III. **Professional Management.** Recruit and maintain a professional management staff that can meet the challenges of a dynamic food service enterprise. The objectives are to:
- Encourage a participatory, decentralized management style.
- Recruit exceptional talent and support internal promotions.
- Provide a stimulating work environment through interunit transfers, challenging staff assignments, and intradepartmental competition of programs and services.
- Maintain a compensation program that attracts and motivates an innovative, skilled staff.
- Maintain open and positive lines of communication among management, staff, and customers.
- Provide and encourage education and training opportunities that promote professional and personal growth.

continued

[Exhibit 6]

Goals and Objectives, (*continued*)

- Conduct regular performance evaluations that are based on predetermined goals and objectives.
- Maintain policy and procedural manuals that will ensure consistent and efficient administration.

IV. Sound Financial Management. Develop and maintain effective financial accounting and reporting systems that facilitate effective planning, decision making, and accountability. The objectives are to:

- Be financially self-sufficient.
- Encourage financial responsibility by providing timely, accurate statements, emphasizing the management budget process and requiring managers to be financially accountable.
- Maintain an effective system of internal controls.
- Control labor costs through efficient use of employee time and control the costs of goods with purchasing, menuing, forecasting, and precosting policies and procedures.
- Protect the department against fluctuation in meat costs through hedging in the commodities market.
- Evaluate and budget effectively for future facilities and equipment replacement needs.
- Conduct thorough cost-benefit analyses of potential programs and products.
- Cut costs with a comprehensive energy conservation program.
- Use resources in a reasonable manner.
- Evaluate short-term possibilities with long-range perspective.

V. Contribution to the University Mission. Dining's program must contribute to the educational, economic, and community service goals of the University. The objectives are to:

- Support the educational goals of the University through staff teaching and lecturing.
- Provide educational opportunities for the students.
- Use the diverse dining facilities as laboratories for student research and job training.
- Contribute professional time in support of the community.
- Encourage staff participation in University committees and projects.

VI. Industry Leadership. Maintain Dining's position as a leader through continual educational and professional contributions to the food service industry. The objectives are to:

- Develop active and creative food service leaders.
- Participate in professional organizations and committees.
- Communicate our ideas and problem-solving techniques to others in the industry.

by the central office. She also found out that managers are frequently transferred between units.

Erica then asked her partners what their thoughts were on the structure of All-American Dining and what effect it had at the unit level. Roger suggested that from the information that Erica had gathered, the organization seemed highly centralized. However, workers at the unit level are interested in making their own decisions. He added that the structure of the organization could be contributing to the problems that Drew perceived with productivity and morale.

Lynn, looking over the mission and goal statements that Erica had collected, commented, "All-American professes to be decentralized. Also, Drew believes he is a participatory manager. It seems as if this organization doesn't play by its own rules. I haven't seen any indication of participation, let alone adequate communication between management and line employees."

The consultants continued to talk for a while about the tension they had noticed at the unit. Since Drew was leaving, they wondered if their presence at the unit would have any affect and if the feedback session would really serve its purpose. The consultants decided they would spend several hours the following morning reviewing the information they had gathered. In order to facilitate their meeting, they quickly constructed a partial list of the individuals they had encountered during their observations. This list included characteristics the consultants believed might be important to their analysis (Exhibit 7).

As the consultants sat at the table, several of the employees came over to speak with them. The workers seemed relaxed and joked with the consultants. Doug commented he was working on putting his résumé together, and Chris told the partners about some new recipes he was developing. The pantry workers and dish room workers made small talk until the consultants said they had to depart. Roger, Lynn, and Erica thanked the workers for being so cooperative and said they hoped to see them sometime soon.

Questions

1. How effective was the OD consultants' data gathering? The content of the data? The process of how the data were collected?
2. What concepts or models might help you analyze the data? What conclusions would you draw from the analysis?
3. How should the feedback session be designed?

SOURCE: JoAnn Carmin, *Cornell University;* Todd Comen, *Cornell University;* Yariels Kerr, *Cornell University.*

[Exhibit 7]

All American Divning and Peppercorn Dining Personnel Chart (partial)

Name	Job Title	Education	Seniority	Age	Full-time	Part-time Student	Management
Peppercorn							
Drew	Manager	A.S.-Restaurant	8 yrs.	37			X
Bob	Day chef		28 yrs.	48	X		
Robert	Day cook	Navy cook	11 yrs.	44	X		
Doug	Night chef	Navy cook	10 yrs.	36	X		
Chris	Night cook		3 yrs.	31	X		
Carrie	Server		10 yrs.	28	X		
Larry	Supervisor	A.S.-Mgmt.	1 mo.	32			X
John	Receiving		11 yrs.	35	X		
Bonnie	Cashier		2 yrs.	28	X		
Molly	Coordinator	Senior-A&S	4 yrs.	21		X	
Shaun	H.R. manager	Senior-E.E.	4 yrs.	21		X	
Sarah	Supervisor	Senior-Gov't.	4 yrs.	21		X	
All-American Dining							
Nancy	Director	A.S.-Restaurant	12 yrs.	41			X
Stan	Asst. director	B.S.-Hotel	9 yrs.	32			X
Larry	Supervisor	A.S.-Mgmt.	6 yrs.	32			X
Eric	Vending manager	B.A.-English	8 yrs.	34			X

Sunflower Incorporated

Sunflower Incorporated is a large distribution company with over 5,000 employees and gross sales of over $700 million (1991). The company purchases and distributes salty snack foods and liquor to independent retail stores throughout the United States and Canada. Salty snack foods include corn chips, potato chips, cheese curls, tortilla chips, and peanuts. The United States and Canada are divided into 22 regions, each with its own central warehouse, salespeople, finance department, and purchasing department. The company distributes national as well as local brands and packages some items under private labels. The head office encourages each region to be autonomous because of local tastes and practices. The northeast United States, for example, consumes a greater percentage of Canadian whisky and American bourbon, while the West consumes more light liquors, such as vodka, gin, and rum. Snack foods in the Southwest are often seasoned to reflect Mexican tastes.

Early in 1989, Sunflower began using a financial reporting system that compared sales, costs, and profits across regions. Management was surprised to learn that profits varied widely. By 1990, the differences were so great that management decided some standardization was necessary. They believed that highly profitable regions were sometimes using lower-quality items, even seconds, to boost profit margins. This practice could hurt Sunflower's image. Other regions were facing intense price competition in order to hold market share. National distributors were pushing hard to increase their market share. Frito-lay, Bordens, Nabisco, Procter & Gamble (Pringles), and Standard Brands (Planter's peanuts) were pushing hard to increase market share by cutting prices and launching new products.

As these problems accumulated, Mr. Steelman, president of Sunflower, decided to create a new position to monitor pricing and purchasing practices. Agnes Albanese was hired from the finance department of a competing organization. Her new title was director of pricing and purchasing, and she reported to the vice president of finance, Mr. Mobley. Steelman and Mobley gave Albanese great latitude in organizing her job and encouraged her to establish whatever rules and procedures were necessary. She was also encouraged to gather information from each region. Each region was notified of her appointment by an official memo sent to the regional managers. A copy of the memo was posted on each warehouse bulletin board. The announcement was also made in the company newspaper.

After three weeks on the job, Albanese decided that pricing and purchasing decisions should be standardized across regions. As a first step, she wanted the financial executive in each region to notify her of any change in local prices of more than 3%. She also decided that all new contracts for local purchases of more than $5,000 should be cleared through her office. (Approximately 60% of items distributed in the regions was purchased in large quantities and supplied from the home office. The other 40% was purchased and distributed within the region.) Albanese believed that the only way to standardize operations was for each region to notify the home office in advance of any change in prices or purchases. Albanese discussed the proposed policy with Mobley. He agreed, so they submitted a formal proposal to the president and board of directors, who approved the plan. Sunflower was moving into the peak holiday season, so Albanese wanted to implement the new procedures right away. She decided to send an email to the financial and purchasing executives in each region notifying them of the new procedures. The change would be inserted in

all policy and procedure manuals throughout Sunflower within four months.

Albanese showed a draft of the email to Mobley and invited his comments. Mobley said the Internet was an excellent idea but wondered if it was sufficient. The regions handle hundreds of items and were used to decentralized decision making. Mobley suggested that Albanese ought to visit the regions and discuss purchasing and pricing policies with the executives. Albanese refused, saying that the trips would be expensive and time-consuming. She had so many things to do at headquarters that a trip was impossible. Mobley also suggested waiting to implement the procedures until after the annual company meeting in three months. Albanese said this would take too long because the procedures would not take effect until after the peak sales season. She believed the procedures were needed now. The email went out the next day.

During the next few days, replies came in from most of the regions. The executives were in agreement with the email and said they would be happy to cooperate.

Eight weeks later, Albanese had not received notices from any regions about local price or purchase changes. Other executives who had visited regional warehouses indicated to her that the regions were busy as usual. Regional executives seemed to be following usual procedures for that time of year.

Questions

1. How well did Albanese manage the pricing and purchasing changes at Sunflower? Were the changes implemented successfully? How would you find this out?
2. What might Albanese have done differently? What should she do now?

SOURCE: Adapted from R. Daft, Organization Theory and Design (St. Paul: West, 1983), pp. 334–36.

Initiating Change in the Manufacturing and Distribution Division of PolyProd

Information management has become a critical competency in modern high-technology firms. These companies simply cannot afford to waste time reinventing or re-justifying existing methodologies, and costly errors—even injuries—can result from not having and following appropriate operating procedures. Yet, the burgeoning quantity of data, information, and knowledge that must be retrieved and used has begun to tax some companies' abilities to keep up. In addition, many of the people within these organizations are not trained properly or willing to deal with formal information systems.

You are Roberta Jackson, a concerned, experienced first-level project manager working at the headquarters site of the manufacturing and distribution division (M&DDiv) of PolyProd, a corporation that develops, markets, and manufactures a variety of high technology products for industry and home use. You are convinced, based on your experience and some informal information that you have collected, that failing to improve the current information management practices will cost PolyProd millions of dollars in direct expenses and could contribute to long-term market share declines in PolyProd products. As a result, you believe that it is necessary to change M&DDiv's documentation processes and procedures. These processes govern the creation and use of the specifications and formal procedures required by the manufacturing organization.

You anticipate that the undertaking will involve change and project management techniques traditional in large engineering firms, and that it should proceed along well-trodden paths: you will plan the project, "sell" it to management and obtain the authority to begin, and then allocate resources and monitor progress until you can declare victory. The following sections describe the M&DDiv's organization, the documentation system, and other factors contributing to the current situation.

THE M&DDIV ORGANIZATION AND CULTURE

M&DDiv manufactures and distributes a small but lucrative subset of PolyProd's products and has five locations around the world. The headquarters organization is located in the United States. It centrally manages the other four sites in Canada, Asia, Africa, and Europe, but also allows them a lot of autonomy in decision-making. Each location houses both manufacturing and distribution processes.

The variety and complexity of M&DDiv's products have increased markedly, as have the speed, intricacy, and expense of the unique high-volume automated manufacturing processes that produce the products. As a result, M&DDiv has been growing rapidly during its entire 11-year history, experiencing exponential increases in locations, sales, capital equipment, product lines, and personnel. Support systems, such as the information and knowledge management system, have struggled to keep up with the growth. Moreover, the required hiring of many inexperienced or temporary personnel has stretched the ability of M&DDiv to maintain the culture of PolyProd. These trends are expected to continue unabated for the foreseeable future.

The company's business strategy charters the headquarters site with designing products and their manufacturing methodologies, and then with transferring the maturing manufacturing processes offshore to take advantage of the lower tax rates and cheaper labor at the four production locations. The key success factors

for the headquarters site are rapid design innovation and time-to-volume-manufacturability. The priorities of the production sites are shippable-product volume, quality, and cost-effectiveness.

Over the last several years, the friction developing between headquarters and the other locations has been increasing. The sites are generally dissatisfied with what they regard as a patronizing and demanding attitude, and resent policies and assignments unilaterally sent out by headquarters. Headquarters, in turn, resents the fierce and sometimes unnecessary individualism of the other locations. Throughout M&DDiv, there is a subtle but strong resistance to large-scale or externally initiated change. This is especially true when the change involves converging all sites to a single process or technology. Much of this is due to the pressures of maintaining high production levels; unproven change is simply too risky. Historically, any attempt to institute a change by dictate has been doomed to failure. For example, announced changes typically take three to five years to institutionalize, and even after that time, there is considerable residual resistance or malicious compliance. It is not uncommon for otherwise successful projects to wither and die due to lack of implementation support.

Headquarters has its own internal issues. First, it has a long-standing tradition of conservatism and hardened reluctance to change. Second, it is still reeling from the rapid growth that has transformed it from a small, independent factory into the hub of a global business. Finally, it is suffering from a discontinuity in its own cultural history: Rapid hiring and promotion, insufficient mentoring, heavy outsourcing and downsizing of certain competencies, and extensive use of a temporary workforce in non-engineering areas has put extreme pressures on the once homogenous and intensely loyal culture.

In a static and stable environment, the relationship between headquarters and the other locations might be considered an acceptable cost of doing business. In M&DDiv, however, the stakes are far too high to allow it to continue. The anticipated continued growth will magnify all problems exponentially, and the seriousness of the problems could very well inhibit or halt that growth. Because M&DDiv's revenue represents a significant portion of PolyProd's bottom line, much of PolyProd's total growth is contingent on M&DDiv's continued expansion. If M&DDiv falters, PolyProd could well follow.

THE DOCUMENTATION PROBLEM

In PolyProd, quality is everything. The company simply cannot allow bad products to reach the customer, but neither can it afford to scrap good products that may have failed too-stringent tests. The precision high-volume manufacturing processes used by all M&DDiv sites utilize rigorous quality control procedures to ensure the highest yield of good products and the lowest scrap. This is achieved by statistical analyses of interim results and by standardizing tasks and tooling as much as possible. This, in turn, hinges on a huge quantity of documentation, including material and process specifications, operating instructions, maintenance information, replication data (bills of materials, assembly and checkout instructions, etc.), and the like. In summary, good products require either good documentation or expensive workarounds and corrections.

- *The documentation system*. The documentation "system" consists of a number of components: an electronic "vault" where a variety of documents are kept, the computer systems and networks that allow access to the vault, the documents (electronic files) themselves, the protocols for routing and approving revisions, and perhaps most critical and most dangerous, all of the people who interact with these components. To be effective, a documentation system has to be carefully developed, actively maintained,

and closely protected from inappropriate alteration. Since products and their production equipment migrate between sites, the documentation must also be portable and useable without extensive revision.

When a new product design is initiated, a suite of drawings and other specifications is created immediately and remains with the project for its whole life. The design engineer's early sketches and notes are entered into an electronic "vault" where they are protected against loss and inadvertent change. As experiments are done and prototypes are created, test results and design refinements are added to the vault. As the design moves into the premanufacturing stage, parts lists, materials specifications, assembly instructions, test procedures, and quality criteria are added to the file. When the automated equipment to produce the product in volume is designed, its information joins the product's information in the vault.

The vault provides functions other than safekeeping. Accessed through workstations throughout the site, the vault allows engineers to "sign out" documents for revision, printing, or on-line viewing. Every time a change is made, the vault's software tracks the differences between the old and new versions, records who made the changes, and routes the revised documentation by e-mail through an approval team. Once approved, the revised document replaces the original version, which is then automatically archived to provide an audit trail. Throughout its life, a document may be entirely electronic and viewed only on-line, printed and bound, printed when needed and then discarded, or some combination of these media.

Virtually every department in the factory uses these documents. R&D designs the product, manufacturing engineering uses the product specifications to design production equipment, materials engineering uses the same specifications to select the plastics and metals used to make the product, materials procurement uses the materials engineering documents to order the supplies for the production line, capital purchasing uses the manufacturing engineering documents to get contracts for the production lines, technical writing groups use all of these documents to create user manuals and other printed materials to ship with the final product, and traffic combs through the data to estimate the number and types of shipping containers and vehicles that will be needed. When the product is actually manufactured, the production departments continuously refer to the documentation for instructions on how to operate, test, and repair their equipment; how to order and load raw materials into the machinery; how to test the products; and how to judge the product's quality.

When headquarters prepares to send a product and its production equipment to one of the other locations, the documentation is supposed to be sent first. The documentation is used at the new location to train employees, to guide the preparation of the new facility, and to ensure that all of the supply chain components are in place to provide raw materials and outbound shipping. Much of the documentation is translated into the local language for use by semi-skilled production workers once the production line is running at the new location.

Every department at every location is both a consumer and a producer of documentation, and all are completely interdependent. A single error in a specification can cascade into a multimillion dollar disaster in the form of incorrect raw materials, a product that passes tests but doesn't work for the customer, a production line that won't fit inside the factory building, or a huge fine from US Customs for mistakenly exporting restricted technology.

- *The current situation*. Various departments within M&DDiv have invested heavily in the human resources, tools, and time needed to create and maintain the documentation process. Despite this investment, M&DDiv's documentation is still regarded as unsatisfactory by the majority of employees and management. For example, there is widespread dissatisfaction with the documentation system in the design departments at headquarters. Because of past bad experiences with outdated or incorrect documentation, users distrust all documentation's accuracy, and find the vault hard to access. The quality department is distressed by the delays in the correction and update cycle. Technical writers are unhappy with the general usability of the required word processors, graphics programs, and the vault; they also feel artistically constrained when asked to use standard templates or designs for their documents. They get little cooperation from the subject matter experts and reviewers they rely on for information, and feel that creating a finished document can take four to five times as much time and effort as it should take.

  The headquarters document control supervisors and technical-writing supervisors also are frustrated. Their personal workloads have ballooned to unmanageable levels as they added staff to keep up with the increasing documentation requirements of M&DDiv's growing number of products. At the same time, they are permitted to hire only temporary resources; qualified candidates became increasingly hard to find, and they take everything they have learned away with them when their finite-length contracts end.

  The production sites share all these concerns and have unique issues of their own. They are frustrated by their inability to get correct and complete documentation when a manufacturing process transfers from headquarters, even though the documentation is supposed to arrive long before the manufacturing process. They often must convert unusual file formats or struggle to rewrite United States-idiomatic information to meet the needs of their local users. They also often feel that they need to invent their own document designs because global designs are still pending or are too specific to another location's needs.

CONTRIBUTING FACTORS

As your early interest in overcoming these problems increased, you conducted an informal analysis based on interviews and observations at all five locations. You have concluded that there are a number of interrelated causes producing M&DDiv's documentation problems.

The primary issue is the lack of an overriding vision or strategy to guide the creation of a full and robust documentation system. To be fair, several years ago, M&DDiv's senior management chartered a documentation quality effort. However, this was only partially implemented, and the project lost momentum after some early successes. This sent a signal—to both the headquarters site and the production locations—that documentation was not really so important after all, much to the relief of those who considered documentation-related tasks a distraction from their "real work." As the rigor of document-creation and -maintenance rules began to wane, the quality of the documents and the processes they supported began to deteriorate again. This continuing gradual slide at each of the locations is exacerbated by the lack of coordination between them. Decisions are made independently, based on local or perceived larger-scope needs, or occasionally on policies that were developed during the short-lived documentation-quality project. Few people consider a time horizon farther out than one year, and even fewer look forward with a global perspective.

There are severe integration problems between the different locations. The production entities are concerned with document control and simplicity. Headquarters has difficulty in simply collecting the information in the first place, and with keeping it up-to-date and complete as the subject matter rapidly evolves during the design and tuning phases. Headquarters often uses the documentation as repositories of historical or justification information; this serves only to confuse and annoy the production sites, which require only the minimum information necessary to manufacture products.

There also are internal integration problems within each individual location. Responsibility for different aspects of the documentation falls within several organizations: creation and storage technology in one, the formal processes for acquisition and control in another, best practice consulting in a third, and technical writers scattered throughout several other departments with their "customers" (e.g., some writers sit within R&D, some work with manufacturing engineering, and still others are in the quality department). There are no rewards for communicating or collaborating, and the groups frequently develop similar or conflicting solutions to what turn out to be common problems.

Day-to-day operation is also less than optimal. The majority of involved personnel have little or no training or experience in the field of documentation. This has led to quality problems, arbitrary decision-making, inappropriate prioritizing of tasks and objectives, and several "blind alley" projects (i.e., projects that start successfully but then run into insurmountable barriers and are abandoned). Many writers and document controllers are former production line operators who show little interest or aptitude during times of high need. Few of the external temporary personnel have formal technical writing experience; most are recently graduated English majors or journalists. The technical writing supervisors all moved laterally from production, and received no special training or mentoring; this results in inefficiency and quality problems within their departments.

Generally, each of the problems and frustrations outlined above is restricted to the immediately affected departments. The various symptoms are highly distributed, are frequently noticeable only at the lowest levels of the organization, and are often concealed beneath their effects. For example, raw material rejection in the receiving department might increase without anyone questioning whether the inspection checklist itself was incorrect, or growing headcount in the support department might not be linked with a particular manufacturing location's use of an obsolete adjustment procedure. These problems would usually be examined by the immediate department supervisor without regard to a larger context, and would seldom be escalated to a point of visibility to upper management or someone with a less parochial viewpoint.

Until you began talking with people at all sites, most people were aware only of their own difficulties with the documentation, and were surprised by your interest. You found that the overall sense of "shared pain" in the organization was very low, and that upper management was completely unaware of the magnitude, frequency, and very real cost of the issues.

Aside from a few informal networks and councils, there are no worldwide activities working to resolve these problems from a system perspective. Most of the separate organizations do recognize the local aspects of the problems, and some have projects in place to improve their own processes in isolation. However, there is no movement toward a larger-scale solution.

It is clear that M&DDiv is in a state of uneasy stasis and that external stimulus—you—will be needed to begin a resolution.

YOUR PLAN TO INITIATE CHANGE

You have decided to conduct an informal discussion with Stewart Jones, the M&DDiv executive you deem to be the most likely potential sponsor for the project, to get a preliminary opinion on whether your project would be worth proposing formally. You have planned your approach carefully.

Because of the engineering-intense environment in M&DDiv, you know that you must follow a defined, rational project management methodology—overt "touchy-feely" techniques would be rejected out of hand. However, you also understand that changing the documentation process will be equal parts cultural change and process improvement.

You also understand the dynamics of M&DDiv management: They seem powerless to force change upon the different geographical locations, and they also are unable and unwilling to spend much time attempting to reach a consensus on the need for standardizing anything. "Going to the top" won't help. Because you are dealing with many branches of a very large organization you must face a "Catch-22" situation: when you appeal up the organization chart to a level that has the power to command all relevant organizations, that individual is so removed from the problem that he or she is unwilling to consider it unless it has huge demonstrable impact.

Questions

1. What is your assessment of your (Roberta's) efforts to date?
2. How will you convince Stewart Jones to allow you to proceed with the project? What arguments might you use?
3. Describe how you will develop a change process and the critical issues you will face in managing the change.

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selected cases

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part 3

Human Process Interventions

12

Interpersonal and Group Process Approaches

This chapter discusses change programs relating to interpersonal relations and group dynamics. These interventions are among the earliest ones devised in OD and the most popular. They represent attempts to improve people's working relationships with one another. The interventions are aimed at helping members of groups assess their interactions and devise more effective ways of working. These change programs represent a basic skill requirement for an OD practitioner.

Interpersonal and group process approaches, including process consultation, third-party interventions, and team building, are among the most enduring OD interventions. Process consultation helps group members understand, diagnose, and improve their behaviors. Through process consultation, the group should become better able to use its own resources to identify and solve interpersonal problems that often block the solving of work-related problems. Third-party interventions focus directly on dysfunctional interpersonal conflict. This approach is used only in special circumstances and only when both parties are willing to engage in the process of direct confrontation. Team building is aimed both at helping a team perform its tasks better and at satisfying individual needs. Through team-building activities, group goals and norms become clearer. In addition, team members become better able to confront difficulties and problems and to understand the roles of individuals within the team. Among the specialized team-building approaches presented are interventions with ongoing teams and temporary teams such as project teams and task forces.

PROCESS CONSULTATION

Process consultation (PC) is a general framework for carrying out helping relationships.[1] Schein defines process consultation as "the creation of a relationship that permits the client to perceive, understand, and act on the process events that occur in [his or her] internal and external environment in order to improve the situation as defined by the client."[2] The process consultant does not offer expert help in the form of solutions to problems, as in the doctor–patient model. Rather, the process consultant works to help managers, employees, and groups assess and improve *human processes*, such as communication, interpersonal relations, decision making, and task performance. Schein argues that effective consultants and managers should be good helpers, aiding others in getting things done and in achieving the goals they have set.[3] Thus, PC is as much a philosophy as a set of techniques aimed at performing this helping relationship. The philosophy ensures that those who are receiving the help own their problems, gain the skills and expertise to diagnose them, and solve the problems themselves. PC is an approach to helping people and groups help themselves.

As a philosophy of helping in relationships, Schein proposes ten principles to guide the process consultant's actions.[4]

- **Always try to be helpful.** Process consultants must be mindful of their intentions, and each interaction must be oriented toward being helpful.
- **Always stay in touch with the current reality.** Each interaction should produce diagnostic information about the current situation. It includes data about the client's opinions, beliefs, and emotions; the system's current functioning; and the practitioner's reactions, thoughts, and feelings.
- **Access your ignorance.** An important source of information about current reality is the practitioner's understanding of what is known, what is assumed, and what is not known. Process consultants must use themselves as instruments of change.
- **Everything you do is an intervention.** Any interaction in a consultative relationship generates information as well as consequences. Simply conducting preliminary interviews with group members, for example, can raise members' awareness of a situation and help them see it in a new light.
- **The client owns the problem and the solution.** This is a key principle in all OD practice. Practitioners help clients solve their own problems and learn to manage future change.
- **Go with the flow.** When process consultants access their own ignorance, they often realize that there is much about the client system and its culture that they do not know. Thus, practitioners must work to understand the client's motivations and perceptions.
- **Timing is crucial.** Observations, comments, questions, and other interventions intended to be helpful may work in some circumstances and fail in others. Process consultants must be vigilant to occasions when the client is open (or not open) to suggestions.
- **Be constructively opportunistic with confrontive interventions.** Although process consultants must be willing to go with the flow, they also must be willing to take appropriate risks. From time to time and in their best judgment, practitioners must learn to take advantage of "teachable moments." A well-crafted process observation or piece of feedback can provide a group or individual with great insight into their behavior.
- **Everything is information; errors will always occur and are the prime source for learning.** Process consultants never can know fully the client's reality and invariably will make mistakes. The consequences of these mistakes, the unexpected and surprising reactions, are important data that must be used in the ongoing development of the relationship.
- **When in doubt, share the problem.** The default intervention in a helping relationship is to model openness by sharing the dilemma of what to do next.

Group Process

Process consultation deals primarily with the interpersonal and group processes that describe how organization members interact with each other. Such social processes directly and indirectly affect how work is accomplished. When group process promotes effective interactions, groups are likely to perform tasks successfully.[5] Group process includes:

- **Communications**. One of the process consultant's areas of interest is the nature and style of communication, or the process of transmitting and receiving thoughts, facts, and feelings. Communication can be overt—who talks to whom, about what, for how long, and how often. It can include body language, including facial expressions, fidgeting, posture, and hand gestures.[6] Communication can also be covert, as when a manager says, "I'm not embarrassed" as his or her face turns scarlet. Covert communication is "hidden" and the process consultant often seeks to find the best way to make the message more explicit.

- **The functional roles of group members**. The process consultant must be keenly aware of the different roles individual members take on in a group. Both upon entering and while remaining in a group, individuals must address and understand their self-identity, influence, and power that will satisfy personal needs while working to accomplish group goals. In addition, group members must take on roles that enhance (a) task-related activities, such as giving and seeking information and elaborating, coordinating, and evaluating activities; and (b) group-maintenance actions, directed toward holding the group together as a cohesive team, including encouraging, harmonizing, compromising, setting standards, and observing. Most ineffective groups perform little group maintenance, and this is a primary reason for bringing in a process consultant.
- **Group problem solving and decision making**. To be effective, a group must be able to identify problems, examine alternatives, and make decisions. For example, one way of making decisions is to ignore a suggestion, as when one person makes a suggestion and someone else offers another before the first has been discussed. A second method is to give decision-making power to the person in authority. Sometimes, decisions are made by minority rule, with the leader arriving at a decision and turning for agreement to several people who will comply. Frequently, silence is regarded as consent. Decisions can also be made by majority rule, consensus, or unanimous consent. The process consultant can help the group understand how it makes decisions and the consequences of each decision process, as well as help diagnose which type of decision process may be the most effective in a given situation. Decision by unanimous consent or consensus, for example, may be ideal in some circumstances but too time-consuming or costly in other situations.
- **Group norms**. Especially if a group of people work together over a period of time, it develops group norms or standards of behavior about what is good or bad, allowed or forbidden, right or wrong. The process consultant can be very helpful in assisting the group to understand and articulate its own norms and to determine whether those norms are helpful or dysfunctional. By understanding its norms and recognizing which ones are helpful, the group can grow and deal realistically with its environment, make optimum use of its own resources, and learn from its own experiences.[7]
- **The use of leadership and authority**. A process consultant needs to understand processes involved in leadership and how different leadership styles can help or hinder a group's functioning. In addition, the consultant can help the leader adjust his or her style to fit the situation.

Basic Process Interventions

For each of the interpersonal and group processes described above, a variety of interventions may be used. In broad terms, these are aimed at making individuals and groups more effective.[8]

Individual Interventions These interventions are designed primarily to help people be more effective in their communication with others. For example, the process consultant can provide feedback to one or more individuals about their overt behaviors during meetings. At the covert or hidden level of communication, feedback can be more personal and is aimed at increasing the individual's awareness of how their behavior affects others. A useful model for this process has been developed by Luft in what is called the *Johari Window*.[9] Figure 12.1, a diagram of the Johari Window, shows that some personal issues are perceived by both the individual and others. This is the "open" window. In the "hidden" window, people are aware of their behavior, motives, and issues, but they conceal them from others. People with certain feelings about themselves or others in the work group may not share with others unless they feel safe and protected; by not revealing reactions they feel might be hurtful or impolite, they lessen the degree of communication.

The “blind” window comprises personal issues that are unknown to the individual but that are communicated clearly to others. For example, one manager who made frequent business trips invariably told his or her staff to function as a team and to make decisions in his absence. The staff, however, consistently refused to do this because it was clear to them, and to the process consultant, that the manager was really saying, “Go ahead as a team and make decisions in my absence, but be absolutely certain they are the exact decisions I would make if I were here.” Only after the manager participated in several meetings in which he received feedback was he able to understand that he was sending a double message. Thereafter, he tried both to accept decisions made by others and to use management by objectives with his staff and with other managers. Finally, the “unknown” window represents those personal aspects that are unknown to both the individual and others. Because such areas are outside the realm of the process consultant and the group, focus is typically on the other three cells.

Individual interventions encourage people to be more open with others and to disclose their views, opinions, concerns, and emotions, thus reducing the size of the hidden window. Further, the consultant can help individuals give feedback to others, thus reducing the size of the blind window. Reducing the size of these two windows helps improve the communication process by enlarging the open window, the “self” that is open to both the individual and others.

Before process consultants give individual feedback, they first must observe relevant events, ask questions to understand the issues fully, and make certain that the feedback is given to the client in a usable manner.[10] The following are guidelines[11] for effective feedback:

- The giver and receiver must have consensus on the receiver’s goals.
- The giver should emphasize description and appreciation.
- The giver should be concrete and specific.

- Both giver and receiver must have constructive motives.
- The giver should not withhold negative feedback if it is relevant.
- The giver should own his or her observations, feelings, and judgments.
- Feedback should be timed to when the giver and receiver are ready.

Group Interventions These interventions are aimed at the process, content, or structure of the group. *Process interventions* sensitize the group to its own internal processes and generate interest in analyzing them. Interventions include comments, questions, or observations about relationships between and among group members; problem solving and decision making; and the identity and purpose of the group. For example, process consultants can help by suggesting that some part of each meeting be reserved for examining how these decisions are made and periodically assessing the feelings of the group's members. As Schein points out, however, the basic purpose of the process consultant is not to take on the role of expert but to help the group share in its own diagnosis and do a better job in learning to diagnose its own processes: "It is important that the process consultant encourage the group not only to allocate time for diagnosis but to take the lead itself in trying to articulate and understand its own processes."[12]

Content interventions help the group determine what it works on. They include comments, questions, or observations about group membership; agenda setting, review, and testing procedures; interpersonal issues; and conceptual inputs on task-related topics.

Finally, *structural interventions* help the group examine the stable and recurring methods it uses to accomplish tasks and deal with external issues. They include comments, questions, or observations about inputs, resources, and customers; methods for determining goals, developing strategies, accomplishing work, assigning responsibility, monitoring progress, and addressing problems; and relationships to authority, formal rules, and levels of intimacy.

Application 12.1 presents an example of process consultation with the top-management team of a manufacturing firm.[13]

Results of Process Consultation

Although process consultation is an important part of organization development and has been widely practiced over the past 40 years, a number of difficulties arise in trying to measure performance improvements that are a result of process consultation. One problem is that most process consultation is conducted with groups performing mental tasks (for example, decision making); the outcomes of such tasks are difficult to evaluate. A second difficulty with measuring PC's effects occurs because in many cases process consultation is combined with other interventions in an ongoing OD program. Isolating the impact of process consultation from other interventions is challenging.

Kaplan's review of process consultation studies underscored the problems of measuring performance effects.[14] It examined published studies in three categories: (1) reports in which process intervention is the causal variable but performance is measured inadequately or not at all, (2) reports in which performance is measured but process consultation is not isolated as the independent variable (the case in many instances), and (3) research in which process consultation is isolated as the causal variable and performance is adequately measured. The review suggests that process consultation has positive effects on participants, according to self-reports of greater personal involvement, higher mutual influence, group effectiveness, and similar variables. However, very little, if any, research clearly demonstrates that objective task effectiveness was increased. In most cases, either the field studies did not directly measure performance or the effect of process intervention was confounded with other variables.

application 12.1

Process Consultation at Action Company

This application, a story often told by Ed Schein and documented in several of his books about process consultation and culture, involves the senior management team of an organization that he worked with over several years. It illustrates well several of the principles of process consultation, such as accessing your ignorance, always trying to be helpful, and understanding that errors are the prime source of learning.

The Action Company was a large and innovative high-technology organization. One salient feature of their executive committee meetings was long and loud discussions. Members interrupted each other constantly, often got into shouting matches, drifted off the subject, and moved from one agenda point to another without any clear sense of what had been decided. Based on his beliefs about the nature of effective groups and his experiences with group dynamics training, the process consultant made several initial interventions as an "expert" consultant. For example, whenever he saw an opportunity, he would ask the group to consider the consequences of interrupting each other repeatedly. This had the effect of communicating his belief that their process was "bad" and interfered with the group's task and effectiveness. He pointed out how important ideas were being lost and potentially important ideas were not getting a full discussion. The group invariably responded with agreement and a resolution to do better, but within 10 minutes were back to the same pattern.

As the process consultant reflected on these early interventions, he noticed that he was imposing on the group his own beliefs about what an ideal team should look like and how it should behave. This group, on the other hand, was clearly on a different path. Over time, he discovered that this group had a different set of shared assumptions that were driving their behaviors. In short, the group was trying to arrive at the "truth." Their assumption was that truth was revealed in ideas and actions that could withstand argument and debate. If an idea could survive intense scrutiny, it must be true and was worth pursuing.

Once he understood this basic premise, the process consultant asked himself what he could do that would be more helpful to the group. His answer was to work within the group's assumptions that were driving their behavior rather than imposing his beliefs on them. He had to learn that the primary task of the group, as they saw it, was to develop ideas that were so sound they could afford to bet the company on them. Generating ideas and evaluating them were therefore the two most crucial functions that they worked on in meetings.

Two kinds of interventions grew out of this insight. First, he noticed that ideas were in fact being lost because so much information was being processed so rapidly. Partly for his own sake and partly because he thought it might help, he went to the flipchart and wrote down the main ideas as they came out.

These ideas, incomplete or undeveloped because the presenter had been interrupted, led to the second kind of intervention. Instead of punishing the group for its "bad" behavior, as he had done in the early stages of the consultation, he looked for opportunities to turn the conversation back over to the person with the idea. For example, he would say, "John, you were trying to make a point. Did we get all of that?" This created the opportunity to get the idea out without drawing unnecessary attention to the reason why it had not gotten out in the first place. The combination of these two kinds of interventions focused the group on the ideas that were not on the flipchart and helped them navigate through their complex agenda. Ideas that were about to be lost were written down, resurrected, and given a fair chance.

The lesson was clear. Until the process consultant understood what the group really was trying to do, he could not focus on the right processes and he did not know how to intervene helpfully. He had to sense what the primary task was and where the group was getting stuck (incomplete idea formulation and too-quick evaluation) before he could determine what kind of intervention would be "helpful."

A third problem with assessing the performance effects of process consultation is that much of the relevant research has used people's perceptions rather than hard performance measures as the index of success.[15] Although much of this research shows positive results, these findings should be interpreted carefully until further research is done using more concrete measures of performance.

THIRD-PARTY INTERVENTIONS

Third-party interventions focus on conflicts arising between two or more people within the same organization. Conflict is inherent in groups and organizations and can arise from various sources, including differences in personality, task orientation, goal interdependence, and perceptions among group members, as well as competition for scarce resources. Tjosvold notes that too little consensus on the definition of conflict has contributed to the perception that conflict is bad. Moreover, when it is defined as opposing interests or divergent goals, it narrows the range of potentially productive interventions. He suggests that conflict is best viewed as "incompatible activities." Such a definition opens up options for resolution, places responsibility for the conflict with the individuals involved, and allows conflict to be seen in a positive way.[16]

To emphasize that conflict is neither good nor bad per se is important.[17] Conflict can enhance motivation and innovation and lead to greater understanding of ideas and views. On the other hand, it can prevent people from working together constructively, destroying necessary task interactions among group members. Consequently, third-party interventions are used primarily in situations in which conflict significantly disrupts necessary task interactions and work relationships among members.

Third-party interventions vary considerably depending on the kind of issues underlying the conflict. Conflict can arise over substantive issues, such as work methods, pay rates, and conditions of employment, or it can emerge from interpersonal issues, such as personalities and misperceptions. When applied to substantive issues, conflict resolution interventions often involve resolving labor–management disputes through arbitration and mediation. The methods used in such substantive interventions require considerable training and expertise in law and labor relations and generally are not considered part of OD practice. For example, when union and management representatives cannot resolve a joint problem, they can call upon the Federal Mediation and Conciliation Service to help them resolve the conflict. In addition, "alternative dispute resolution" (ADR) practices increasingly are offered in lieu of more expensive and time-consuming court trials.[18] Conflicts also may arise at the boundaries of the organization, such as between suppliers and the company, between a company and a public-policy agency, or between multiple organizations or groups.[19]

When conflict involves interpersonal issues, however, OD has developed approaches that help control and resolve it. These third-party interventions help the parties interact with each other directly, recognize the personal choices each party is making, and facilitate their diagnosis of the conflict and its resolution. The ability to facilitate conflict resolution is a basic skill in OD and applies to all of the process interventions discussed in this chapter. Consultants, for example, frequently coach clients through a conflict or help organization members resolve interpersonal conflicts that invariably arise during process consultation and team building.

Third-party interventions cannot resolve all interpersonal conflicts in organizations, nor should they. Many times, interpersonal conflicts are not severe or disruptive enough to warrant attention. At other times, they simply may burn themselves out. Evidence also suggests that other methods may be more appropriate under certain conditions. For example, managers tend to control the process and outcomes of conflict resolution actively when they are under heavy time pressures, when the disputants are

not expected to work together in the future, and when the resolution of the dispute has a broad impact on the organization.[20] Under those conditions, the third party may resolve the conflict unilaterally with little input from the conflicting parties.

An Episodic Model of Conflict

Interpersonal conflict often occurs in iterative, cyclical stages known as "episodes." An episodic model is shown in Figure 12.2. At times, issues underlying a conflict are latent and do not present any manifest problems for the parties. Then something triggers the conflict and brings it into the open. For example, a violent disagreement or frank confrontation can unleash conflictual behavior. Because of the negative consequences of that behavior, the unresolved disagreement usually becomes latent again. And again, something triggers the conflict, making it overt, and so the cycle continues with the next conflict episode.

Conflict has both costs and benefits to the antagonists and to those in contact with them. Unresolved conflict can proliferate and expand. An interpersonal conflict may be concealed under a cause or issue that serves to make the conflict appear more legitimate. Frequently, the overt conflict is only a symptom of a deeper problem.

The episodic model identifies four strategies for conflict resolution. The first three attempt to control the conflict, and only the last approach tries to change the basic issues underlying it.[21] The first strategy is to prevent the ignition of conflict by arriving at a clear understanding of the triggering factors and thereafter avoiding or blunting them when the symptoms occur. For example, if conflict between the research and production managers is always triggered by new-product introductions, then senior executives can warn them that conflict will not be tolerated during the introduction of the latest new product. However, this approach may not always be functional and may merely drive the conflict underground until it explodes. As a control strategy, however, this method may help to achieve a temporary cooling-off period.

The second control strategy is to set limits on the form of the conflict. Conflict can be constrained by informal gatherings before a formal meeting or by exploration of other options. It also can be limited by setting rules and procedures specifying the conditions under which the parties can interact. For example, a rule can be instituted that union officials can attempt to resolve grievances with management only at weekly grievance meetings.

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The third control strategy is to help the parties cope differently with the consequences of the conflict. The third-party consultant may work with the people involved to devise coping techniques, such as reducing their dependence on the relationship, ventilating their feelings to friends, and developing additional sources of emotional support. These methods can reduce the costs of the conflict without resolving the underlying issues.

The fourth method is an attempt to eliminate or to resolve the basic issues causing the conflict. As Walton points out, "There is little to be said about this objective because it is the most obvious and straightforward, although it is often the most difficult to achieve."[22]

Facilitating the Conflict Resolution Process

Walton has identified a number of factors and tactical choices that can facilitate the use of the episodic model in resolving the underlying causes of conflict.[23] The following ingredients can help third-party consultants achieve productive dialogue between the disputants so that they examine their differences and change their perceptions and behaviors: mutual motivation to resolve the conflict; equality of power between the parties; coordinated attempts to confront the conflict; relevant phasing of the stages of identifying differences and of searching for integrative solutions; open and clear forms of communication; and productive levels of tension and stress.

Among the tactical choices identified by Walton are those having to do with diagnosis, the context of the third-party intervention, and the role of the consultant. One of the tactics in third-party intervention is the gathering of data, usually through preliminary interviewing. Group-process observations can also be used. Data gathering provides some understanding of the nature and the type of conflict, the personality and conflict styles of the individuals involved, the issues and attendant pressures, and the participants' readiness to work together to resolve the conflict.

The context in which the intervention occurs is also important. Consideration of the neutrality of the meeting area, the formality of the setting, the appropriateness of the time for the meeting (that is, a meeting should not be started until a time has been agreed on to conclude or adjourn), and the careful selection of those who should attend the meeting are all elements of this context.

In addition, the third-party consultant must decide on an appropriate role to assume in resolving conflict. The specific tactic chosen will depend on the diagnosis of the situation. For example, facilitating dialogue of interpersonal issues might include initiating the agenda for the meeting, acting as a referee during the meeting, reflecting and restating the issues and the differing perceptions of the individuals involved, giving feedback and receiving comments on the feedback, helping the individuals diagnose the issues in the conflict, providing suggestions or recommendations, and helping the parties do a better job of diagnosing the underlying problem.

Third-party consultants must develop considerable skill at diagnosis, intervention, and follow-up, and be highly sensitive to their own feelings and to those of others. They must recognize that some tension and conflict are inevitable and that although there can be an optimum amount and degree of conflict, too much conflict can be dysfunctional for both the people involved and the larger organization. The third-party consultant must be sensitive to the situation and able to use a number of different intervention strategies and tactics when intervention appears to be useful. Finally, he or she must have professional expertise in third-party intervention and must be seen by the parties as neutral or unbiased regarding the issues and outcomes of the conflict resolution.

Application 12.2 describes an attempt to address conflict in an information technology unit.[24] How does this description fit with the process described above? What would you have done differently?

application 12.2

Conflict Management at Balt Healthcare Corporation

Pete Brooks and Dan Gantman were managers in an IT department that was part of the information services group at Balt Healthcare Corporation, a large organization that provided health care products to a global market. Brooks was the general manager of the IT department and had been working in the unit for most of his 16 years with Balt. The IT department had global responsibility for developing and maintaining the organization's intranets, Web sites, and internal networks. Brooks ran his department with a traditional and formal management style where communication traveled vertically through the hierarchy.

Gantman recently had been assigned to Brooks's department to operate a small experimental group charged with developing E-commerce solutions for the organization and the industry. This was state-of-the-art development work with enormous future implications for the organization as it explored the possibility of sales, business-to-business, and other supply-chain opportunities on the Internet. Gantman, in contrast to Brooks, had a management style that stressed the value of open communication channels to promote teamwork and collaboration.

The biggest challenge in Gantman's work was managing the transition from design into production. Senior management at Balt believed that by assigning Gantman's team to Brooks's organization, the resources required to manage this transition would be more readily available to Gantman's group. In fact, it was generally agreed that Brooks's strengths complemented Gantman's weaknesses. Whereas Gantman was a better designer, Brooks had operational expertise that would help in bringing Gantman's ideas on-line.

Unfortunately, the trouble started almost as soon as the assignment was announced. Although in front of their bosses, Brooks had agreed to work with Gantman to make the project a success, his support was lukewarm at best. Gantman and Brooks had a history of conflict in the organization. Neither one respected the other's style, and prior conflicts had been swept under the carpet, creating a considerable amount of pent-up animosity. Operationally, when Gantman's group needed resources to bring an idea on-line, Brooks announced that all of his people were busy and that he couldn't assign anyone to help. Similarly, anytime Gantman needed access to a piece of hardware within the IT unit, Brooks made it complicated to get that access. Gantman became increasingly frustrated by Brooks's lack of cooperation and he was quite open about his feelings of being sabotaged. His complaints reached the highest levels of management as well as other members of the information services staff.

After several frustrating attempts to speak with Brooks about the situation, Gantman consulted Marilyn Young, the vice president for information services. Young, like others in the organization, was aware of the conflict. She requested assistance from the human resources manager and an organization development specialist. The OD specialist met with Brooks and Gantman separately to understand the history of the conflict and each individual's contribution to it. Although different styles were partly to blame, the differences in the two work processes were also contributing to the problem. Brooks's organization was primarily routine development and maintenance tasks that allowed for considerable preplanning and scheduling of resources. Gantman's project, however, was highly creative and unpredictable. There was little opportunity to give Brooks advance notice regarding the experimental team's needs for equipment and other resources.

The OD specialist recommended several strategies to Young, including a direct confrontation, the purchase of additional hardware and software, and mandating the antagonists' cooperation. Young responded that there was no available budget for purchasing new equipment and admitted that she did not have any confidence in her ability to facilitate the needed communication and leadership for her staff. She asked the OD specialist to facilitate a more direct process. Agreements were made in writing about how the process would work, including Young meeting with Gantman and Brooks to discuss the problem between them and how it was affecting the organization. But Young did not follow through on the agreement. She never met with Brooks and Gantman at the same time and, as

a result, the messages she sent to each were inconsistent. In fact, during their separate conversations, it appeared that Young began supporting Brooks and criticizing Gantman. Gantman began to withdraw, productivity in both groups suffered, and he became more hostile, stubborn, and bitter.

In the end, Gantman felt sabotaged not only by Brooks but by Young as well. He took a leave of absence based on Young's advice. His project was left without a leader and he ended up leaving the organization. Brooks stayed on, but staff at all levels of the organization were upset that his behavior had not been questioned. Similarly, the organization lost a lot of respect for Young's ability to address conflict. Losses in productivity and morale among staff in many areas in the organization resulted from the conflict between two employees.

TEAM BUILDING

Team building refers to a broad range of planned activities that help groups improve the way they accomplish tasks, help members enhance their interpersonal and problem-solving skills, and increase team performance. Organizations comprise many different types of groups including permanent work groups, temporary project teams, and virtual teams. Team building is an effective approach to improving teamwork and task accomplishment in such environments. It can help problem-solving groups make maximum use of members' resources and contributions. It can help members develop a high level of motivation to implement group decisions. Team building also can help groups overcome specific problems, such as apathy and general lack of member interest; loss of productivity; increasing complaints within the group; confusion about assignments; low participation in meetings; lack of innovation and initiation; increasing complaints from those outside the group about the quality, timeliness, and effectiveness of services and products; and hostility or conflicts among members.

It is equally important that team building can facilitate other OD interventions, such as employee involvement, work design, restructuring, and strategic change. Those change programs typically are designed by management teams and implemented through various committees and work groups. Team building can help the groups design high-quality change programs and ensure that the programs are accepted and implemented by organization members. Indeed, most technostructural, human resources management, and strategic interventions depend on some form of team building for effective implementation.

The importance of team building is well established, and its high use is expected to continue in the coming years. Management teams are encountering issues of greater complexity and uncertainty, especially in such fast-paced industries as software and hardware development, entertainment, and health and financial services. Team building can provide the kind of teamwork and problem-solving skills needed to tackle such issues. When the team represents the senior management of an organization, team building can be an important part of establishing a coherent corporate strategy, and can promote the kind of close cooperation needed to implement complex strategies and new forms of governance.[25] As manufacturing and service technologies continue to develop—for example, just-in-time inventory systems, lean manufacturing, robotics,

and service quality concepts—there is increasing pressure on organizations to implement team-based work designs. Team building can assist in the development of group goals and norms that support high productivity and quality of work life.

The globalization of work and organizations implies that people from different cultures and geographic locations will increasingly interact over complex management and operational tasks using a variety of information and communication technologies. Team-building activities for these "virtual" teams have increased substantially over the past several years.[26] Most team building processes are based on assumptions of face-to-face interaction and relationships are built partially on the basis of visual cues. In virtual teams, research suggests that closeness between team members is created through proactive offers of help and support on task related issues, and maintained through frequent, short, and task-focused communications (often technology mediated). Thus, team-building can help virtual teams to examine cross-cultural issues and their impact on decision making and problem solving, facilitate communication processes where tone and body language clues are absent, and build trust.

Finally, mergers and acquisitions, restructurings, and strategic alliances continue to proliferate. The success of these endeavors depends partly on getting members from different organizations to work together effectively. Team building can facilitate the formation of a unified team with common goals and procedures.

In the OD literature, team building is not clearly differentiated from process consultation and group facilitation. This confusion exists because most team building includes process consultation—helping the group diagnose and understand its own internal processes—and facilitation—providing structure to a group's interactions so that it can focus on an agenda and exchange information. However, process consultation is a more general approach to helping relationships than is team building. Team building focuses explicitly on helping groups perform tasks and solve problems more effectively. Process consultation, on the other hand, is concerned with establishing effective helping relationships in organizations while facilitation often represents a substitute for group process. It is seen as key to effective management and consultation and can be applied to any helping relationship, from subordinate development to interpersonal relationships to group development. Thus, team building consists of process consultation plus other, more task-oriented interventions.

Team building is applicable in a large number of situations, from starting a new team, to resolving conflicts among members, to revitalizing a complacent team. Dyer has developed a checklist for identifying whether a team-building program is needed and whether the organization is ready to start such a program (Table 12.1).[27] If the problem is a structural or technical one, an intergroup issue, an administrative mistake, or a conflict between only two people, team building would not be an appropriate change strategy.

Team-Building Activities

A team is a group of interdependent people who share a common purpose, have common work methods, and hold each other accountable.[28] The nature of that interdependence varies, creating the following types of teams: groups reporting to the same supervisor, manager, or executive; groups involving people with common organizational goals; temporary groups formed to do a specific, one-time task; groups consisting of people whose work roles are interdependent; and groups whose members have no formal links in the organization but whose collective purpose is to achieve tasks they cannot accomplish alone. Another important variable in teams is location. When team members are in close proximity, a traditional team exists; when members are geographically dispersed and their interaction is mediated by information technology, a virtual team exists.

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Several factors can affect the outcomes of any specific team-building activity: the length of time allocated to the activity, the team's willingness to look at its processes, the length of time the team has been working together, and the team's permanence. Consequently, the results of team-building activities can range from comparatively modest changes in the team's operating mechanisms (for example, meeting more frequently or gathering agenda items from more sources) to much deeper changes (for example, modifying team members' behavior patterns or the nature and style of the group's management, or developing greater openness and trust).

Hackman has proposed that effective teams produce outputs that satisfy external stakeholders, constantly improve their team functioning, and have members that are learning.[29] As a result, team-building activities can be classified according to their level and orientation (see Table 12.2). Team-building activities can focus on the following levels: (1) one or more individuals; (2) the group's operation and behavior; or (3) the group's relationship with the rest of the organization. They also can be classified according to whether their orientation is (1) diagnostic or (2) development.

[Table 12.2]

A Classification of Team-Building Activity

	Orientation of Activity	
LEVEL OF ACTIVITY	DIAGNOSTIC	DEVELOPMENT
One or more individuals	Instruments, interviews, and feedback to understand style and motivations of group members	Coaching 360-degree feedback Third-party interventions
Group operations and behavior	Surveys, interviews, and team meetings to understand the group's processes and procedures	Role clarification Mission and goal development Decision-making processes Normative change
Relationships with the organization	Surveys and interviews to understand how the group relates to its organization context	Strategic planning Stakeholder analysis

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A particular team-building activity can overlap these categories, and, on occasion, a change in one area will have negative results in other areas. For example, a very cohesive team may increase its isolation from other groups, leading to intergroup conflict or other dysfunctional results, which in turn can have a negative impact on the total organization unless the team develops sufficient diagnostic skills to recognize and deal with such problems.

Activities Relevant to One or More Individuals

People come into groups and organizations with varying needs for achievement, inclusion, influence, and belonging. These needs can be supported and nurtured by the team's structure and process or they can be discouraged. Diagnostic interviews and survey instruments can help members to better understand their motivations, style, or emotions in the group context. It results in one or more of the members gaining a better understanding of the way inclusion, emotions, control, and power affect problem solving and other group processes, and provide choices about their degree of involvement and commitment. Such activities provide information so that people have a clearer sense of how their needs and wants can or will be supported.

Developmental activities that address one or more members of the group include coaching, 360-degree feedback, and assistance with conflict. These interventions attempt to alter the group's ongoing processes by focusing on the behaviors and attitudes of individual members. For example, one team's typical decision-making process included the leader having several agenda items for discussion. Each of the items, however, had a predetermined set of actions that she wanted the group to take. Most members were frustrated by their inability to influence the conclusions. The team-building process consisted of coaching the team leader and group members about ways to change this process. The leader received feedback about specific examples of her not-so-subtle

manipulation to arrive at preconceived decisions and how group members felt about it. At the next meeting, the leader acknowledged the feedback and indicated her willingness to be challenged about such preconceived decisions. Team members expressed their increased willingness to engage in problem-solving discussions, their trust in the leader, and their ability to make the challenge without fear of reprisal.

Activities Oriented to the Group's Operation and Behavior

The most common focus of team-building activities is behavior related to task performance and group process. In an effective team, task behavior and group process must be integrated with each other as well as with the needs and wants of the people making up the group. Diagnostic activities involve gathering data through the use of questionnaires or, more commonly, through interviews. The nature of the data gathered will vary depending on the purpose of the team-building program, the consultant's knowledge about the organization and its culture, and the people involved. The consultant already may have obtained a great deal of data by sitting in as a process observer at staff and other meetings. The data gathered also will depend on what other OD efforts have taken place in the organization. By whatever method obtained, however, the data usually include information on leadership styles and behavior; goals, objectives, and decision-making processes; organizational culture, communication patterns, and interpersonal relationships and processes; barriers to effective group functioning; and task and related technical problems. Diagnostic activities often establish a framework within which further work can be done.

Developmental activities aim to improve the group's process and functioning. French and Bell have defined team development as "an inward look by the team at its own performance, behavior, and culture for the purposes of dropping out dysfunctional behaviors and strengthening functional ones."[30]A variety of team development activities and exercises have been described by different authors.[31] They include role clarification, improving goal clarity and member commitment, modifying the decision-making or problem-solving process, changing norms, increasing risk taking and trust, and improving communication.

Application 12.3 presents an example of a team-building meeting involving a top-management team.

Activities Affecting the Group's Relationship with the Rest of the Organization

As a team gains a better understanding of itself and becomes better able to diagnose and solve its own problems, it focuses on its role within the organization. A group's relationship to the larger organizational context is an important aspect of group effectiveness.[32] Diagnostic activities focus on understanding the group's organizational role, how its goals support the larger organization, or how the group interacts with other groups.

Developmental activities involve actions that improve or modify the group's contribution to the organization, how it acquires resources, or alters its outputs in terms of cost, quality, and quantity. Sometimes, the team may recognize a need for more collaboration with other parts of the organization and may try to establish a project team that crosses the boundaries of existing teams.

As the team becomes more cohesive, it usually exerts a stronger influence on other groups within the organization. This can lead to intergroup conflict. Because that is one area in which team building can have negative effects, the process consultant must help the group understand its role within the larger organization, develop its own diagnostic skills, and examine alternative action plans so that intergroup tensions and conflicts do not expand.

Building the Executive Team at Caesars Tahoe

Caesars Tahoe is a casino, hotel, and entertainment complex on the south shore of Lake Tahoe, Nevada. As part of the Caesars World chain, including Caesars Palace in Las Vegas, Caesars in Atlantic City, and the riverboat Caesars Indiana, Caesars Tahoe enjoys a reputation as a "high-end" experience. Its history is laced with stories of celebrities, athletes, and some of the wealthiest people in the world winning and losing millions of dollars gambling in its casinos. Originally established as an alternative to the Las Vegas desert, Caesars Tahoe is the third-largest facility in town in terms of casino floor space and number of rooms, but it has the largest showroom for headline talent, the highest gambling limits, and the highest proportion of table games such as craps, blackjack, and roulette.

In 1995, the Caesars World organization was purchased by the ITT conglomerate, was spun off into the Starwood Resorts organization when ITT reorganized in 1997, and then was sold to Park Place Entertainment when Starwood decided to focus on nongaming properties. As of late 1999, the Caesars World corporate office was waiting for the transaction with Park Place to be closed formally.

The executive team at Caesars Tahoe consisted of an executive vice president and general manager (GM) for the property and seven direct reports. The marketing function was divided into three segments, each headed by a vice president. Far East marketing was responsible for recruiting "million-dollar players" from the South Pacific region; national marketing was responsible for working with other Caesars properties to ensure that "high rollers" from the United States were well attended to; and casino marketing handled the more traditional promotion activities of advertising, special-events coordination, entertainment bookings, and convention marketing. The hotel vice president was responsible for the front desk, housekeeping, maintenance, food and beverage service, and so on. The casino operations vice president managed all gambling operations. In addition, there was a vice president for human resources and a chief financial officer. The vice presidents for casino marketing and casino operations had been with the property for 10 and 20 years, respectively. No other member of the team had been with the property more than two years. In fact, the current GM was the 13th in 20 years.

The GM contacted an external OD consultant to help the executive team improve teamwork and clarify the core values of the organization. General changes in the gaming industry, higher than normal turnover levels in the hotel and casino, concerns over whether the Caesars "brand" had suffered in all the corporate portfolio adjustments, and conflicts among his senior managers prompted his call. His own vision for the property included growing the property, reestablishing the Caesars brand, and investing in human resources. Interviews with the members of executive committee confirmed his initial descriptions about the team and the organization's situation.

In consultation with the GM, the corporate OD consultant, and the human resources vice president, an agenda was developed that addressed the goals and vision for the property, team processes and roles, and action plans for the future. A two-day off-site meeting was arranged at a local resort.

The workshop kicked off on the evening before the meeting with a welcome and overview of the agenda by the GM and a stakeholder mapping exercise that clarified the current mission of the property. Team members were excused for the evening with the thoughts of the exercise fresh in their minds. On the morning of the first day, executive-committee members were encouraged to share their expectations for the meeting and to develop specific norms that would guide their behaviors during the two-day meeting. This process was aided by an exercise in which the group members shared their experiences about the best team they had ever worked on and in that way identified characteristics of effective teams. The norms and characteristics were placed on flipcharts and hung on the wall of the meeting room. All members agreed to behave according to the norms and to assess periodically how well the norms were being followed. The consultant agreed to provide feedback on norm compliance during the session.

The group then participated in a problem-solving exercise that prompted members to collaborate on a task. The task generated important data about the group's functioning. Those observations were discussed, as were insights about the team gleaned from the results of an interpersonal style instrument completed by members prior to the meeting. The nature of the conflicts among members also was discussed. From this new basis of group understanding, the executive committee began to discuss their hopes and visions for the property. The first day ended with several unfinished lists of value statements, core purposes, and thoughts about the strategies and markets served by the organization. An evaluation of the day asked for an overall rating and comments about what the group should stop, start, and continue to do.

The next day began by feeding back the data from the evaluation, which suggested that most people were satisfied with the accomplishments of the first day but that important issues still needed to be addressed. Although the agenda called for a flow similar to that of the day before, moving back and forth between teamwork-related activities and discussions about the property's future, the consultant wrote several important topics on a flipchart and asked the group to identify the most important agenda items. Quickly they decided that they wanted to finish the core-values work and then discuss their core purpose.

The consultant facilitated the conversation that was now clearly under the control of the group members. Within a couple of hours, the group had produced a list of core values, developed a process for involving the rest of the organization in creating a final list of values, and crafted a core purpose that described the essence of the organization. Based on this work, the group moved to some initial discussions about its vision for the future. In addition, the group generated a list of key action items necessary to realize that vision. This was especially tricky given the uncertain demands of the new owner, but the group decided that it was important to have a clear strategy for themselves so that any demands from the new parent could be evaluated. Members also reasoned that the parent might ask them what they thought was possible and they wanted to be ready.

The meeting ended with the completion of a responsibility chart to clarify task completion expectations and accountabilities among the team members. A final evaluation of the meeting included process observations by the team members about how they had worked together and statements about their satisfaction with the results of the meeting. They all agreed that they had made important decisions and were leaving with substantial results.

The Manager's Role in Team Building

Ultimately, the manager is responsible for team functioning, although this responsibility obviously must be shared by the group itself. Therefore, it is management's task to develop a work group that can regularly analyze and diagnose its own effectiveness and work process. With the team's involvement, the manager must diagnose the group's effectiveness and take appropriate actions if it shows signs of operating difficulty or stress.

Boss and McConkie surveyed over 3,500 team building participants and found that 92% identified the team's leader as the single most important role in successful team building.[33] Many managers, however, have not been trained to perform the data gathering, diagnosis, planning, and action necessary to maintain and improve their teams continually. Thus, the issue of who should lead a team-building session is a function of managerial capability. The initial use of an OD consultant usually is advisable if a manager is aware of problems, feels that he or she may be part of the problem, and believes that some positive action is needed to improve the operation of the team, but is not sure how to go about it. Dyer has provided a checklist for assessing the need for a consultant (Table 12.3). Some of the questions ask the manager to examine problems

[Table 12.3]

Assessing the Need for a Consultant

SHOULD YOU USE AN OUTSIDE CONSULTANT TO HELP IN TEAM BUILDING? (Circle the appropriate response.)			
1. Does the manager feel comfortable in trying out something new and different with the staff?	Yes	No	?
2. Is the staff used to spending time in an outside location working on issues of concern to the work unit?	Yes	No	?
3. Will group members speak up and give honest data?	Yes	No	?
4. Does your group generally work together without a lot of conflict or apathy?	Yes	No	?
5. Are you reasonably sure that the boss is not a major source of difficulty?	Yes	No	?
6. Is there a high commitment by the boss and unit members to achieving more effective team functioning?	Yes	No	?
7. Is the personal style of the boss and his or her management philosophy consistent with a team approach?	Yes	No	?
8. Do you feel you know enough about team building to begin a program without help?	Yes	No	?
9. Would your staff feel confident enough to begin a team-building program without outside help?	Yes	No	?

Scoring: If you have circled six or more "yes" responses, you probably do not need an outside consultant. If you have circled four or more "no" responses, you probably do need a consultant. If you have a mixture of "yes," "no," and ? responses, invite a consultant to talk over the situation and make a joint decision.

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and establish the degree to which he or she feels comfortable in trying out new and different things, the degree of knowledge about team building, whether the boss might be a major source of difficulty, and the openness of group members.

Basically, the role of the OD consultant is to work closely with the manager (and members of the team) to a point at which the manager is capable of engaging in team development activities as a regular and ongoing part of overall managerial responsibilities. Assuming that the manager wants and needs a consultant, the two should work together in developing the initial program, keeping in mind that (1) the manager ultimately is responsible for all team-building activities, even though the consultant's resources are available; and (2) the goal of the consultant's presence is to help the manager learn to continue team development processes with minimum consultant help or without the ongoing help of the consultant.

Thus, in the first stages, the consultant might be much more active in data gathering, diagnosis, and action planning, particularly if a one- to three-day off-site workshop is considered. In later stages, the consultant takes a much less active role, with the manager becoming more active and serving as both manager and team developer.

The Results of Team Building

The research on team building's effectiveness has produced inconsistent results. Some studies have reported positive results across a range of variables including feelings, attitudes, and measures of performance.[34] For example, one review showed that team building improves process measures, such as employee openness and decision making,

about 45% of the time and improves outcome measures, such as productivity and costs, about 53% of the time.[35] Another review revealed that team building positively affects hard measures of productivity, employee withdrawal, and costs about 50% of the time.[36]

Other studies have shown less positive outcomes.[37] In general, the research supports a pattern of positive changes in attitudes or satisfaction. However, less powerful research designs and short time frames prohibit drawing strong conclusions linking performance improvements to team development efforts.[38] For example, one review of 30 studies found that only ten tried to measure changes in performance. Although these changes were generally positive, the studies' research designs were relatively weak, reducing confidence in the findings.[39] Moreover, team building rarely occurs in isolation. Usually, it is carried out in conjunction with other interventions leading to or resulting from team building itself. For this reason it is difficult to separate the effects of team building from those of the other interventions.

Buller and Bell have attempted to differentiate the effects of team building from the effects of other interventions that occur along with team building.[40] Specifically, they tried to separate the effects of team building from the effects of goal setting, an intervention aimed at setting realistic performance goals and developing action plans for achieving them. In a rigorous field experiment, Buller and Bell examined the differential effects of team building and goal setting on productivity measures of underground miners. The results showed that team building affects the quality of performance and goal setting affects the quantity of performance. This differential impact was explained in terms of the nature of the mining task. The task of improving the quality of performance was more complex, unstructured, and interdependent than was the task of achieving quantity. This suggests that team building can improve group performance, particularly on tasks that are complex, unstructured, and interdependent. That the advantages of combining both interventions were inconclusively identified in the Buller and Bell study suggests the need for additional studies of the differential impact of team building and other interventions such as goal setting.

Team building, like OD at the organization level, is a process over time, and OD practitioners need to be aware of the full range of reasons teams are effective. Research by Hackman and his colleagues have suggested that too much time may be spent trying to help teams that were designed and launched incorrectly. They argue that one of the most important tasks of the OD practitioner is to be sure that any team gets chartered and launched correctly.[41] In a related study where the teams' launching was held constant, Woolley found that task-focused (as opposed to process-focused) interventions given at the mid-point of a team's lifecycle had the biggest impact on team performance.[42]

The results of team building in virtual teams is still emerging, but shows that many of the lessons learned from face-to-face team-building practice can be transferred. For example, in a lab study of college students, researchers found that when communications technologies were augmented to include goal setting processes, team functioning and team performance improved.[43] Because virtual teams are usually geographically dispersed, they can also take advantage of a variety of asychnronous facilitation tools, such as bulletin boards and portals[44] Hart and McCleod found that interpersonal closeness between members of a virtual team is created when one member proactively helps another member to solve a problem or address a concern, and that the closeness is maintained by frequent, short, but content-oriented (as opposed to process-oriented) messages.[45] Finally, Gibson and Cohen found that team performance was enhanced by initial face-to-face team-building meetings in the start-up stage of a team's work.[46]

Finally, Boss has presented considerable evidence to support the effectiveness of personal management interviews (PMIs) in sustaining the long-term effects of off-site team building.[47] A PMI is a follow-up intervention that arrests the potential fade-out effects of off-site team building.[48] A team leader negotiates roles with each member and then holds regular meetings with each team member to resolve problems and increase personal accountability. Boss and his colleagues have amassed a large, longitudinal data set, mostly in public administration, hospital, and health care settings. When team building interventions have included PMI activities (compared to those that have not included PMI follow ups), they have found consistent and sustained improvement in measures of team functioning and operational performance.

SUMMARY

In this chapter, we presented human process interventions aimed at interpersonal relations and group dynamics. Among the earliest interventions in OD, these change programs help people gain interpersonal competence, work through interpersonal conflicts, and develop effective groups.

Process consultation is used not only as a way of helping groups become effective but also as a means whereby groups learn to diagnose and solve their own problems and continue to develop their competence and maturity. Important areas of activity include communications, roles of group members, difficulties with problem-solving and decision-making norms, and leadership and authority. The basic difference between process consultation and third-party intervention is that the latter focuses on interpersonal dysfunctions in social relationships between two or more individuals within the same organization and is targeted toward resolving direct conflict between those individuals.

Team building is directed toward improving group effectiveness and the ways in which members of teams work together. Teams may be permanent or temporary or traditional or virtual, but their members have either common organizational aims or work activities. The general process of team building, like process consultation, tries to equip a team to handle its own ongoing problem solving.

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13

Organization Process Approaches

In Chapter 12, we presented interventions aimed at improving interpersonal and group processes. This chapter describes systemwide process interventions—change programs directed at improving such processes as organizational problem solving, leadership, visioning, and task accomplishment between groups—for a major subsystem or for an entire organization.

The first type of intervention, the organization confrontation meeting, is among the earliest organizationwide process approaches. It helps mobilize the problem-solving resources of a major subsystem or whole organization by encouraging members to identify and confront pressing issues.

The second organization process approach is called intergroup relations. It consists of two interventions: the intergroup conflict resolution meeting and microcosm groups. Both interventions are aimed at diagnosing and addressing important organization-level processes, such as conflict, the coordination of organizational units, and diversity. The intergroup conflict intervention is specifically oriented toward conflict processes, whereas the microcosm group is a more generic systemwide change strategy.

The third and final systemwide process approach, the large-group intervention, has received considerable attention recently and is one of the fastest-growing areas in OD. Large-group interventions get a "whole system into the room"[1] and create processes that allow a variety of stakeholders to interact simultaneously. A large-group intervention can be used to clarify important organizational values, develop new ways of looking at problems, articulate a new vision for the organization, solve cross-functional problems, restructure operations, or devise an organizational strategy. It is a powerful tool for addressing organizational problems and opportunities and for accelerating the pace of organizational change.

ORGANIZATION CONFRONTATION MEETING

The *confrontation meeting* is an intervention designed to mobilize the resources of the entire organization to identify problems, set priorities and action targets, and begin working on identified problems. Originally developed by Beckhard,[2] the intervention can be used at any time but is particularly useful when the organization is under stress and when there is a gap between the top and the rest of the organization (such as when a new top manager joins the organization). General Electric's "Work-Out" program is an example of how the confrontation meeting has been adapted to fit today's organizations.[3] Although the original model involved only managerial and professional people, it has since been used successfully with technicians, clerical personnel, and assembly workers.

Application Stages

The organization confrontation meeting typically involves the following steps:

1. A group meeting of all those involved is scheduled and held in an appropriate place. Usually the task is to identify problems related to the work environment and the effectiveness of the organization.

2. Groups are appointed representing all departments of the organization. Thus, each group might have one or more members from sales, purchasing, finance, operations, and quality assurance. For obvious reasons, a subordinate should not be in the same group as his or her boss, and top management should form its own group. Group size can vary from five to fifteen members, depending on such factors as the size of the organization and available meeting places.
3. The point is stressed that the groups are to be open and honest and to work hard at identifying problems they see in the organization. No one will be criticized for bringing up problems and, in fact, the groups will be judged on their ability to do so.
4. The groups are given an hour or two to identify organization problems. Generally, an OD practitioner goes from group to group, encouraging openness and assisting the groups with their tasks.
5. The groups then reconvene in a central meeting place. Each group reports the problems it has identified and sometimes offers solutions. Because each group hears the reports of all the others, a maximum amount of information is shared.
6. Either then or later, the master list of problems is broken down into categories. This can be done by the participants, by the person leading the session, or by the manager and his or her staff. This process eliminates duplication and overlap and allows the problems to be separated according to functional or other appropriate areas.
7. Following problem categorization, participants are divided into problem-solving groups whose composition may, and usually does, differ from that of the original problem-identification groups. For example, all operations problems may be handled by people in that subunit. Or task forces representing appropriate cross sections of the organization may be formed.
8. Each group ranks the problems, develops a tactical action plan, and determines an appropriate timetable for completing this phase of the process.
9. Each group then periodically reports its list of priorities and tactical plans of action to management or to the larger group.
10. Schedules for periodic (frequently monthly) follow-up meetings are established. At these sessions, the team leaders report either to top management, to the other team leaders, or to the group as a whole regarding their team's progress and plans for future action. The formal establishment of such follow-up meetings ensures both continuing action and the modification of priorities and timetables as needed.

Application 13.1 presents the Work-Out process at General Electric Medical Systems business. It shows how the basic framework of a confrontation meeting can be adapted to address organizational problems such as productivity and employee involvement.[4]

Results of Confrontation Meetings

Because organization confrontation meetings often are combined with other approaches, such as survey feedback, determining specific results is difficult. In many cases, the results appear dramatic in mobilizing the total resources of the organization for problem identification and solution. Beckhard cites a number of specific examples in such different organizations as a food products manufacturer, a military products manufacturer, and a hotel.[5] Positive results also were found in a confrontation meeting with 40 professionals in a research and development firm.[6]

The organization confrontation meeting is a classic approach for mobilizing organizational problem solving, especially in times of low performance. Although the results of its use appear impressive, little systematic study of this intervention has been done. For example, although a variety of anecdotal descriptions exist, there has been no

application 13.1

A Work-Out Meeting at General Electric Medical Systems Business

As part of the large-scale change effort, former CEO Jack Welch and several managers at General Electric devised a method for involving many organization members in the change process. Work-Out is a process for gathering the relevant people to discuss important issues and develop a clear action plan. The program has four goals: to use employees' knowledge and energy to improve work, to eliminate unnecessary work, to build trust through a process that allows and encourages employees to speak out without being fearful, and to engage in the construction of an organization that is ready to deal with the future.

At GE Medical Systems (GEMS), internal consultants conducted extensive interviews with managers throughout the organization. The interviews revealed considerable dissatisfaction with existing systems, including performance management (too many measurement processes, not enough focus on customers, unfair reward systems, and unrealistic goals), career development, and organizational climate. Managers were quoted as saying that

> I'm frustrated. I simply can't do the quality of work that I want to do and know how to do. I feel my hands are tied. I have no time. I need help on how to delegate and operate in this new culture.
>
> The goal of downsizing and delayering is correct. The execution stinks. The concept is to drop a lot of "less important" work. This just didn't happen. We still have to know all the details, still have to follow all the old policies and systems.

In addition to the interviews, Jack Welch spent some time at GEMS headquarters listening to and trying to understand the issues facing the organization.

Based on the information compiled, about 50 GEMS employees and managers gathered for a five-day Work-Out session. The participants included the group executive who oversaw the GEMS business, his staff, employee relations managers, and informal leaders from the key functional areas who were thought to be risk takers and who would challenge the status quo. Most of the work during the week was spent unraveling, evaluating, and reconsidering the structures and processes that governed work at GEMS. Teams of managers and employees addressed business problems. Functional groups developed visions of where their operations were headed. An important part of the teams' work was to engage in "bureaucracy busting" by identifying CRAP (Critical Review APpraisals) in the organization. Groups were asked to list needless approvals, policies, meetings, and reports that stifled productivity. In an effort to increase the intensity of the work and to encourage free thinking, senior managers were not a part of these discussions.

At the end of the week, the senior management team listened to the concerns, proposals, and action plans from the different teams. During the presentations, senior GEMS managers worked hard to understand the issues, communicate with the organization members, and build trust by sharing information and discussing constraints and opportunities. Most of the proposals focused on ways to reorganize work and improve returns to the organization. According to traditional Work-Out methods, managers must make instant, on-the-spot decisions about each idea in front of the whole group. The three decision choices are (1) approval; (2) rejection with clear reasons; and (3) need more data, with a decision to be made within a month.

The five-day GEMS session ended with individuals and functional teams signing close to a hundred written contracts to implement the new processes and procedures or drop unnecessary work. The contracts were between people, between functional groups, and between levels of management. Other organizational contracts affected all GEMS members. One important outcome of the Work-Out effort at GEMS was a decision to involve suppliers in its internal e-mail network. Through that interaction, GEMS and a key supplier eventually agreed to build new-product prototypes together, and their joint efforts have led to further identification of ways to reduce costs, improve design quality, or decrease cycle times.

Work-Out at GE has been very successful but hard to measure in dollar terms. Since 1988, hundreds of Work-Outs have been held, and the concept has continued to evolve into best-practice investigations, process mapping, and change-acceleration programs. The Work-Out process, however, clearly is based on the confrontation meeting model, where a large group of people gather to identify issues and plan actions to address problems.

published large-sample evaluation of the work out process. There is a clear need for evaluative research.

INTERGROUP RELATIONS INTERVENTIONS

The ability to diagnose and understand intergroup relations is important for OD practitioners because (1) groups often must work with and through other groups to accomplish their goals; (2) groups within the organization often create problems and place demands on each other; and (3) the quality of the relationships between groups can affect the degree of organizational effectiveness. Two OD interventions—microcosm groups and intergroup conflict resolution—are described here. A microcosm group uses members from several groups to help solve organizationwide problems. Intergroup issues are explored in this context, and then solutions are implemented in the larger organization. Intergroup conflict resolution helps two groups work out dysfunctional relationships. Together, these approaches help improve intergroup processes and lead to organizational effectiveness.

Microcosm Groups

A microcosm group consists of a small number of individuals who reflect the issue being addressed.[7] For example, a microcosm group composed of members representing a spectrum of ethnic backgrounds, cultures, and races can be created to address diversity issues in the organization. This group, assisted by OD practitioners, can create programs and processes targeted at specific issues. In addition to addressing diversity problems, microcosm groups have been used to carry out organization diagnoses, solve communications problems, integrate two cultures, smooth the transition to a new structure, and address dysfunctional political processes.

Microcosm groups work through "parallel processes," which are the unconscious changes that take place in individuals when two or more groups interact.[8] After groups interact, members often find that their characteristic patterns of roles and interactions change to reflect the roles and dynamics of the group with whom they were relating. Put simply, groups seem to "infect" and become "infected" by the other groups. The following example given by Alderfer[9] helps to clarify how parallel processes work:

> An organizational diagnosis team had assigned its members to each of five departments in a small manufacturing company. Members of the team had interviewed each department head and several department members, and had observed department meetings. The team was preparing to observe their first meeting of department heads and were

> trying to anticipate the group's behavior. At first they seemed to have no "rational" basis for predicting the top group's behavior because they "had no data" from direct observation. They decided to role-play the group meeting they had never seen. Diagnostic team members behaved as they thought the department heads would, and the result was uncanny. Team members found that they easily became engaged with one another in the simulated department-head meeting; emotional involvement occurred quickly for all participants. When the team actually was able to observe a department-head meeting, they were amazed at how closely the simulated meeting had approximated the actual session.

Thus, if a small and representative group can intimately understand and solve a complex organizational problem for themselves, they are in a good position to recommend action to address the problem in the larger system.

Application Stages

The process of using a microcosm group to address organizationwide issues involves the following five steps:

1. **Identify an issue.** This step involves finding a systemwide problem to be addressed. This may result from an organizational diagnosis or may be an idea generated by an organization member or task force. For example, one microcosm group charged with improving organizational communications was started by a division manager. He was concerned that the information provided by those reporting directly to him differed from the data he received from informal conversations with people throughout the division.
2. **Convene the group.** Once an issue is identified, the microcosm group can be formed. The most important convening principle is that group membership needs to reflect the appropriate mix of stakeholders related to the issue. If the issue is organizational diversity, then the group should reflect the issue in terms of race, gender, age, disability, sexual orientation, culture, or other dimension. If the issue is integrating two corporate cultures following a merger, the microcosm group should contain people from both organizations who understand their respective cultures. Following the initial setup, the group itself becomes responsible for determining its membership. It will decide whether to add new members and how to fill vacant positions.

   Convening the group also draws attention to the issue and gives the group status. Members need to be perceived as credible representatives of the problem. This will increase the likelihood that organization members will listen to and follow the suggestions they make.
3. **Provide group training.** Once the microcosm group is established, training is provided in group problem solving and decision making. Team-building interventions also may be appropriate. Group training focuses on establishing a group mission or charter, working relationships among members, group decision-making norms, and definitions of the problem to be addressed.

   From a group-process perspective, OD practitioners may need to observe and comment on how the group develops. Because the group is a microcosm of the organization, it will tend, through its behavior and attitudes, to reflect the problem in the larger organization. For example, if the group is addressing diversity issues in the organization, it is likely to manifest the particular dynamics that raised the issues in the first place. That is, the group may exhibit difficulty communicating across cultures or decision making may exclude or downplay certain group's inputs. Recognizing, within the group, the problem or issue it was formed to address is the first step toward solving the problem in the larger system.

4. **Address the issue.** This step involves solving the problem and implementing solutions. OD practitioners may help the group diagnose, design, implement, and evaluate changes. A key issue is gaining commitment in the wider organization to implementing the group's solutions. Several factors can facilitate such ownership. First, a communication plan should link group activities to the organization. This may include publishing minutes from team meetings; inviting organization members, such as middle managers, union representatives, or hourly workers, into the meetings; and making presentations to different organizational groups. Second, group members need to be visible and accessible to management and labor. This can ensure that the appropriate support and resources are developed for the recommendations. Third, problem-solving processes should include an appropriate level of participation by organization members. Different data collection methods can be used to gain member input and to produce ownership of the problem and solutions.
5. **Dissolve the group.** The microcosm group can be disbanded following successful implementation of changes. This typically involves writing a final report or holding a final meeting.

Results of Microcosm Groups The microcosm group intervention derives from an intergroup relations theory developed by Alderfer, who has applied it to communications and race-relations problems. A microcosm group that addressed communications issues improved the way meetings were conducted; developed a job posting, career development, and promotion program; and conducted new-employee orientations.[10] In addition, the group assisted in the development, administration, and feedback of an organizationwide employee opinion survey. Alderfer also reported seven years of longitudinal data on a race-relations advisory group in a large organization.[11] Over time, white members showed significant improvements in their race-relations perceptions; African Americans consistently perceived more evidence of racism in the organization; and attendance at the meetings varied both over time and by race. In addition to the intragroup data, the case documented several changes in the organization, including the development of a race-relations competency document, the implementation of a race-relations workshop, and the creation of an upward-mobility policy.

A dearth of research exists on microcosm groups, partly because it is difficult to measure parallel processes and associate them with measures of organizational processes. More research on this intervention is needed.

Resolving Intergroup Conflict

The intergroup conflict intervention is designed specifically to help two groups or departments within an organization resolve dysfunctional conflicts. Intergroup conflict is neither good nor bad in itself, and in some cases, conflict among departments is necessary and productive for organizations.[12] This applies where there is little interdependence among departments and conflict or competition among them can spur higher levels of productivity. For example, organizations structured around different product lines might want to promote competition among the product groups. This might increase each group's productivity and add to the overall effectiveness of the firm.

In other organizations, especially those with very interdependent departments, conflict may become dysfunctional.[13] Two or more groups may grow polarized, and their continued conflict may result in the development of defensiveness and negative stereotypes of the other group. Polarization can be revealed in such statements as: "Any solution they come up with is wrong," "We find that nobody in that group will cooperate with us," or "What do you expect of those idiots?" Particularly when intergroup communication is necessary, the amount and quality of communication usually

drops off. Groups begin seeing the others as "the enemy" rather than in positive or even neutral terms. As the amount of communication decreases, the amount of mutual problem solving falls off as well. The tendency increases for one group to sabotage the efforts of the other group, either consciously or unconsciously.

Application Stages A basic strategy for improving interdepartmental or intergroup relationships is to change the perceptions (perhaps, more accurately, misperceptions) that the two groups have of each other. One formal approach for accomplishing this, originally described by Blake and his associates, consists of a 10-step procedure.[14]

1. A consultant external to the two groups obtains their agreement to work directly on improving intergroup relationships. (The use of an outside consultant is highly recommended because without the moderating influence of such a neutral third party, it is almost impossible for the two groups to interact without becoming deadlocked and polarized in defensive positions.)
2. A time is set for the two groups to meet—preferably away from their normal work situations.
3. The consultant, together with the managers of the two groups, describes the purpose and objectives of the meeting: to develop better mutual relationships, explore the perceptions the groups have of each other, and formulate plans for improving the relationship. The two groups are presented the following or similar questions: "What qualities or attributes best describe our group?" "What qualities or attributes best describe the other group?" and "How do we think the other group will describe us?" Then, the two groups are encouraged to establish norms of openness for feedback and discussion.
4. The two groups are assigned to separate rooms and asked to write their answers to the three questions. Usually, an outside consultant works with each group to help the members become more open and to encourage them to develop lists that accurately reflect their perceptions, both of their own image and of the other group.
5. After completing their lists, the two groups reconvene. A representative from each group presents the written statements. Only the two representatives are allowed to speak. The primary objective at this stage is to make certain that the images, perceptions, and attitudes are presented as accurately as possible and to avoid the arguments that might arise if the two groups openly confront each other. Questions, however, are allowed to ensure that both groups clearly understand the written lists. Justifications, accusations, or other statements are not permitted.
6. When it is clear that the two groups thoroughly understand the content of the lists, they separate again. By this point, a great number of misperceptions and discrepancies have been brought to light.
7. The task of the two groups (almost always with a consultant as a process observer) is to analyze and review the reasons for the discrepancies. The emphasis is on solving the problems and reducing the misperceptions. The actual or implicit question is not whether the perception of the other group is right or wrong but rather "How did these perceptions occur? What actions on the part of our group may have contributed to this set of perceptions?"
8. When the two groups have worked through the discrepancies, as well as the areas of common agreement, they meet to share both the identified discrepancies and their problem-solving approaches to those discrepancies. Because the primary focus is on the behavior underlying the perceptions, free, open discussion is encouraged between the two groups, and their joint aim is to develop an overall list of remaining and possible sources of friction and isolation.

9. The two groups are asked to develop specific plans of action for solving specific problems and for improving their relationships.
10. When the two groups have gone as far as possible in formulating action plans, at least one follow-up meeting is scheduled so that the groups can report on actions that have been implemented, identify any further problems that have emerged, and, where necessary, formulate additional action plans.

In addition to this formal approach to improving interdepartmental or intergroup relationships there are a number of more informal procedures. Beckhard asks each of the two groups to develop a list of what irritates or exasperates them about the other group and to predict what they think the other group will say about them.[15] A more simplified approach, although perhaps not as effective, is to bring the two groups together, dispense with the written lists developed in isolation, and discuss only common problems and irritations. Finally, based on their experience at TRW Systems, Fordyce and Weil developed a modified approach whereby each group builds three lists—one containing "positive feedback" items (those things the group values and likes about the other group), a "bug" list (those things the group dislikes about the other group), and an "empathy" list (predictions about what the other group's list contains).[16] When the groups come together, they build a master list of major concerns and unresolved problems, which are assigned priorities and developed into an agenda. When they have completed the task, the subgroups report the results of their discussions to the total group, which then develops a series of action steps for improving the relations between the groups and commits itself to following through. For each action step, specific responsibilities are assigned, and an overall schedule is developed for prompt completion of the action steps.

Different approaches to resolving intergroup conflict form a continuum from behavioral solutions to attitudinal change solutions.[17] Behavioral methods are oriented to keeping the relevant parties physically separate and specifying the limited conditions under which interaction will occur. Little attempt is made to understand or change how members of each group see the other. Conversely, attitudinal methods, such as exchanging group members or requiring intense interaction with important rewards or opportunities clearly tied to coordination, are directed at changing how each group perceives the other. Here, it is assumed that perceptual distortions and stereotyping underlie the conflict and need to be changed to resolve it.

Most of the OD solutions to intergroup conflict reviewed in this section favor attitudinal change strategies. However, such interventions typically require considerably more skill and time than do the behavioral solutions. Changing attitudes is difficult in conflict situations, especially if the attitudes are deep-seated and form an integral part of people's personalities. Attitudinal change interventions should be reserved for those situations in which behavioral solutions might not work.

Behavioral interventions seem most applicable in situations in which task interdependence between the conflicting groups is relatively low and predictable. For example, the task interaction between the production and the maintenance departments might be limited to scheduled periodic maintenance of machines. Here, higher management can physically separate the departments and specify the limited conditions under which they should interact. Where the shared task requires only limited interaction, that interaction can be programmed and standardized.

Attitudinal change interventions seem necessary when task interdependence between the conflicting groups is high and unpredictable, such as might be found between the research and the production departments during a new-product introduction. Here, the two departments need to work together closely, often at unpredictable times and with novel, complex issues. When conflicts arise because of misperceptions, they must be worked through in terms of people's perceptions and attitudes. The

shared task does not permit physical separation or limited, specific interaction. It is in these highly interdependent and unpredictable task situations that the conflict resolution interventions discussed in this section are most appropriate.

Application 13.2 presents an example of intergroup conflict resolved by an attitudinal change intervention.[18] The method reflects a variation on the traditional process described above and also places the intervention in a planned change context.

Results of Intergroup Conflict Interventions A number of studies have been done on the effects of intergroup conflict resolution. Positive results have been reported by several researchers in a variety of settings, including union–management relations, an Indian tribal council, government organizations, and for-profit firms.[19] The results include attitudinal changes such as improved perceptions, increased trust, and less stereotyping in addition to improved operational results. For example, Huse found that bringing representatives of different groups together to work on common work-related problems had a marked effect, not only on relationships among a number of different manufacturing groups but also on the quality of the product, which increased 62%.[20]

The technology for improving intergroup relations is promising. A greater distinction between attitudinal and behavioral changes needs to be made in planning effective intergroup interventions. A greater variety of interventions that address the practical difficulties of bringing two groups together is also necessary. Finally, more knowledge is needed about how culture affects intergroup conflict and how interventions need to be adjusted in cross-cultural situations.[21] Growing knowledge and theory suggest that conflict can be either functional or dysfunctional, depending on the circumstances. Further research is needed to identify when conflict should be intensified and when it should be reduced.

LARGE-GROUP INTERVENTIONS

The third systemwide process intervention is called large-group intervention. Such change programs have been referred to variously as "search conferences," "open-space meetings," "open-systems planning," "world cafés," "future searches," "decision accelerators," and "Appreciative Inquiry Summits."[22] They focus on issues that affect the whole organization or large segments of it, such as developing new products or services, responding to environmental change, redesigning the organization, or introducing new technology. The defining feature of large-group intervention is the bringing together of large numbers of organization members and other stakeholders, often more than a hundred, for a two- to four-day meeting or conference. Here, conference attendees work together to identify and resolve organizationwide problems, to design new approaches to structuring and managing the firm, or to propose future directions for the organization. Large-group interventions are among the fastest-growing OD applications in large part because they reflect the core values of OD, including inclusion, participation, and learning.[23]

Large-group interventions can vary on several dimensions, including purpose, size, length, structure, and number. The purpose of these change methods can include creating the future and setting direction, redefining work, organization structures, and systems, and planning or solving particular organizational problems.[24] Large-group interventions have been run with groups of less than 50 to more than 2,000 participants and have lasted between one and five days. Some large-group processes are relatively planned and structured; others are more informal. Some interventions involve a single large-group meeting; others include a succession of meetings to accomplish systemwide change in a short period of time.

Despite these differences, most large-group interventions have similar conceptual foundations and methods.[25] These interventions have evolved over the past 30 years

Improving Intergroup Relationships in Johnson & Johnson's Drug Evaluation Department

Johnson & Johnson (J&J) is one of the world's largest manufacturers of health care products. The fundamental objective of the company is to provide scientifically sound, high-quality products and services to help heal the sick, cure disease, and improve the quality of life. In mid-2000, J&J made a strategic decision to merge two research and development organizations in the Pharmaceuticals Group. Departments in the Robert Wood Johnson Pharmaceutical Research Institute, headquartered in New Jersey, and the Janssen Research Foundation, headquartered in Belgium, were integrated to create a leading-edge global function called the Drug Evaluation (DE) organization. DE's purpose is to rapidly generate data that allows J&J to make the best investment decisions about the drug portfolio. In the overall R&D process, the group is the bridge between discovery of new compounds and full development of a new drug. As a group, they are responsible for investigating all compounds that may be potential new products and making data-driven decisions in collaboration with the discovery and full-development groups. The highest-quality and highest-potential discovery compounds are quickly and efficiently moved through preclinical development and into initial human trials. DE employees experience a genuine and unique opportunity to shape the R&D pipeline in J&J and ultimately influence patient well-being. It is an exciting and challenging place to be in.

Most of the first half of 2001 was spent in merger and integration activity with the groups, while moving compounds through the pipeline. The DE management team has overall responsibility for the organization and consists of the global head of DE and seven direct reports representing chemical pharmaceuticals, clinical drug evaluation, clinical operations, and portfolio planning and resource management (PPRM), among others.

One of the groups, the PPRM group was a new function created to improve the efficiency of DE processes. They allowed the DE management team to accurately track compounds as they moved through the process and provided information in a consistent manner across the organization. The group consisted of project champions, portfolio planners, resource managers, and support staff. Project champions were the core of the PPRM group. When a compound is accepted into DE, the project champion leads a project team consisting of representatives from the different functions. This team is responsible for planning and executing the DE plan for their compound. The project champion works closely with all of the functions to ensure the compound progresses on schedule through the different stages of the process and ultimately on the handoff to full development.

The Clinical Drug Evaluation group was responsible for developing clinical plans that would take the new drug compound into human trials. The group consisted primarily of clinical scientists, MDs who were responsible for focusing on the key questions to be identified to achieve DE deliverables. Clinical scientists were also responsible for communicating these questions and the results from the clinical aspects of the project to the rest of the project team. The quality of the data depends on asking the right questions, so this role is critical to delivering business benefits of the compound.

In the fall of 2001, the DE management team expressed concern that there were many issues surfacing about the nature of the work, roles and responsibilities, and the general cohesion within DE. This was particularly true with the clinical scientists and the project champions. They worried that a conflict between the schedule-oriented project champions and the quality-oriented clinical specialists was hurting department morale. The DE management team asked an OD practitioner to help with understanding and addressing these issues. As part of the process, the practitioner conducted diagnostic interviews with various members of the PPRM and Clinical Drug Evaluation groups. She found that opinions varied widely as to the nature of the problem and its characteristics. For example, some people did not perceive a problem, some believed it had nothing to do with the interaction

of the project champions and the clinical scientists, and others believed it was a lack of clear roles and responsibilities. Overall, seven different themes emerged from the data, although no single issue dominated. Faced with this lack of agreement on the issue and its causes, the practitioner, in collaboration with the different groups, proposed a three-day off-site meeting to work through the data and concerns.

The meeting was held in January 2002 in Villars, Switzerland (selected for its neutrality), and consisted of exercises to improve communications and a process to address intergroup conflict. Members of the PPRM and Clinical Drug Evaluation groups were asked to address the following questions:

- What do we want from you?
- What we don't want from you?
- What do we offer/give you?
- What we don't offer/give you?

Each group was asked to discuss and come to consensus about their perceptions of the other group. Reflecting the diagnostic data, there was a lively discussion within each group as perceptions were shared, discussed, and resolved.

When each group presented their results, typical responses included the following: "We want your expertise;" "We want everyone to be a part of the team;" "We want input, support and agreement, adequate time, and frequent interaction." The groups did not want surprise decisions, delayed or filtered information, and responsibility for another's job. These themes were consistent across both groups.

The practitioner then opened the floor for a large-group discussion of the presentations. Although a variety of issues were discussed and clarified, the groups noticed that they were in 90% agreement. The key issue that needed to be resolved was the decision-making process. The practitioner then facilitated a discussion of how the two groups should make decisions and they agreed on a method to do so.

As a result of the meeting, the two groups reported improved relations and increased trust because of an increased understanding of each other's perspectives. They developed positive, cooperative attitudes toward the other group, understood how different cultural backgrounds and working styles were contributing to the strained decision-making process, and were able to reach agreement on a variety of important roles and responsibilities. In addition, a few weeks after the meeting, the participants said they realized the importance of setting the time aside to work through the issues. They gained an appreciation for a need to have consistency in methods and tools for the teams. The DE management team was pleased with the results.

and represent a combination of open-systems thinking, participation and social construction, and self management. Open-systems thinking, as outlined in Chapter 5, directs attention to how organizations interact with and are shaped by their environments. Proponents of large-group interventions suggest that an organization's current state is the result of the intentional and unintentional interaction among many groups and individuals both inside and outside the organization. Changing the organization's vision, structure, strategy, or work therefore requires the deliberate, face-to-face coordination of these groups.

The participation and social construction assumptions support the open-systems view. The participation assumption suggests that a variety of organization stakeholders must be involved to create an accurate view of the environment and organization. The social construction assumption suggests that only by developing a shared understanding of the environment and the organization among these stakeholders can "common ground" be found and coordinated action be possible. Without a broad and shared view, conflicts can arise about what parts of the environment or what actions are most

important. Such perceptual disagreements make planning and implementing a coherent strategy difficult.[26]

Finally, the self-management assumption proposes that large-group processes must create the conditions for ownership and commitment. All large-group methods attempt to create a rhythm of large-group presentations balanced against small-group discussions, exercises, tasks, and dialogues. Through the small-group work, participants work with a variety of stakeholders, build perspective, and become commited to action.

Application Stages

Conducting a large-group intervention generally involves preparing for the meeting, conducting it, and following up on outcomes. These activities are described below.

Preparing for the Large-Group Meeting A design team comprising OD practitioners and several organization members is formed to organize the event. The team generally addresses three key ingredients for successful large-group meetings: a compelling meeting theme, appropriate participants, and relevant tasks to address the theme.

1. **Compelling meeting theme.** Large-group interventions require a compelling reason or focal point for change. Although "people problems" can be an important focus, more powerful reasons for large-group efforts include managing impending mergers or reorganizations, responding to environmental threats and opportunities, or proposing radical organizational changes.[27] Whatever the focal point for change, senior leaders need to make clear to others the purpose of the large-group meeting. Ambiguity about the reason for the intervention can dissipate participants' energy and commitment to change. For example, a large-group meeting that successfully envisioned a hospital's future organization design was viewed as a failure by a few key managers who thought that the purpose was to cut costs from the hospital's budget. Their subsequent lack of support stalled the change effort.
2. **Appropriate participants.** A fundamental goal of large-group interventions is to "get the whole system in the room." This involves inviting as many people as possible who have a stake in the conference theme and who are energized and committed to conceiving and initiating change. Senior managers, suppliers, union leaders, internal and external customers, trade-group representatives, government and regulatory officials, and organization members from a variety of jobs, genders, races, and ages are potential participants.
3. **Relevant tasks to address the conference theme.** As described below, these tasks typically are assigned to several subgroups responsible for examining the theme and drawing conclusions for action. Generally, participants rely on their own experience and expertise to address systemwide issues, rather than drawing on resources from outside of the large-group meeting. This ensures that the meeting can be completed within the allotted time and that members can participate fully as important sources of information.

Conducting the Meeting The flow of events in a large-group meeting can vary greatly, depending on its purpose and the framework adopted. Most large-group processes, however, fit within three primary frameworks: open-systems methods, open-space methods, and positive methods. These various methods reflect different strategies for dealing with the four key dilemmas of large-group interventions:

1. The dilemma of voice refers to the problem of encouraging participation on the one hand and being overwhelmed if each individual wants to speak. Even when a large-group event is relatively small in terms of participants, time would quickly run out if everyone wanted to speak up in the large group.

2. The dilemma of structure refers to how tightly or loosely the meeting should be organized. Some methods, like the open-systems processes described below, can be tightly controlled while others, like the open-space methods, are almost unstructured. The dilemma is not knowing how much structure a particular group prefers, how much they want, or how much anxiety they are experiencing.
3. The egocentric dilemma refers to the problem of people holding on to their own personal views of right or wrong, better or worse. When individuals hold on too tightly, it makes large-group decision making difficult. When a large-group event overly represents one stakeholder group, that group can dominate the conversation and be less open to alternative points of view.
4. The dilemma of emotional contagion refers to a group dynamic where many people take on the frustrations or excitement of others. When emotional contagion happens, people unconsciously give up their ownership of a problem, action, or solution and get swept up in the moment. It represents a large-group version of "groupthink" and can result in solutions that people, upon reflection, cannot support.

Open-Systems Methods. A variety of large-group approaches, such as search conferences, open-systems planning, decision accelerators, and real-time strategic change, have their basis in open-systems methods and are among the more structured large-group processes. These approaches help organizations assess their environments systematically and develop strategic responses to them. They help organization members develop a strategic mission for relating to the environment and influencing it in favorable directions. Open-systems methods begin with a diagnosis of the existing environment and how the organization relates to it. They proceed to develop possible future environments and action plans to bring them about.[28] These steps are described below.

1. **Map the current environment surrounding the organization.** In this step, the different domains or parts of the environment are identified and prioritized. This involves listing all external groups directly interacting with the organization, such as customers, suppliers, or government agencies, and ranking them in importance. Participants then are asked to describe each domain's expectations for the organization's behavior.
2. **Assess the organization's responses to environmental expectations.** This step asks participants to describe how the organization currently addresses the environmental expectations identified in step 1.
3. **Identify the core mission of the organization.** This step helps to identify the underlying purpose or core mission of the organization, as derived from how it responds to external demands. Attention is directed at discovering the mission as it is revealed in the organization's behavior, not as it is pronounced in the organization's official statement of purpose. This is accomplished by examining the organization and environment transactions identified in steps 1 and 2 and then assessing the values that seem to underlie those interactions. These values provide clues about the actual identity or mission of the organization.
4. **Create a realistic future scenario of environmental expectations and organization responses.** This step asks members to project the organization and its environment into the near future, assuming no real changes in the organization. It asks participants to address the question, "What will happen if the organization continues to operate as it does at present?" Participant responses are combined to develop a likely organization future under the assumption of no change.
5. **Create an ideal future scenario of environmental expectations and organization responses.** Members are asked to create alternative, desirable futures. This

involves going back to steps 1, 2, and 3 and asking what members ideally would like to see happen in the near future in both the environment and the organization. People are encouraged to fantasize about desired futures without worrying about possible constraints.

6. **Compare the present with the ideal future and prepare an action plan for reducing the discrepancy.** This last step identifies specific actions that will move both the environment and the organization toward the desired future. Planning for appropriate interventions typically occurs in three timeframes: tomorrow, six months from now, and two years from now. Participants also decide on a follow-up schedule for sharing the flow of actions and updating the planning process.

There are a number of variations on this basic model, each of which follows a similar pattern of creating common ground, discussing the issues, and devising an agenda for change. For example, search conferences begin with an exercise called "appreciating the past," which asks participants to examine the significant events, milestones, and highlights of the organization's previous 30 years (or less, in the case of newer organizations).[29] It demonstrates that participants share a common history, although they may come from different organizations, departments, age groups, or hierarchical levels.

Once common ground is established, members can discuss the systemwide issue or theme. To promote widespread participation, members typically organize into subgroups of 8–10 people representing as many stakeholder viewpoints as possible. The subgroups may address a general question (for example, "What are the opportunities for new business in our global market?") or focus on a specific issue (for example, "How can we improve quality and cut costs on a particular product line?"). Subgroup members brainstorm answers to these questions, record them on flipchart paper, and share them with the larger group. The whole group compares responses from the subgroups and identifies common themes. Other methods, such as presentations to the large group, small-group meetings on particular aspects of the conference theme, or spontaneous meetings of interest to the participants, are used to discuss the conference theme and distribute information to members.

The final task of large-group meetings based on open-systems methods is creating an agenda for change. Participants are asked to reflect on what they have learned at the meeting and to suggest changes for themselves, their department, and the whole organization. Members from the same department often are grouped together to discuss their proposals and decide on action plans, timetables, and accountabilities. Action items for the total organization are referred to a steering committee that addresses organizationwide policy issues and action plans. At the conclusion of the large-group meeting, the departmental subgroups and the steering committee report their conclusions to all participants and seek initial commitment to change.

Application 13.3 describes the large-group decision accelerator process at Alegent Health. The decision accelerator model was used to generate an innovative vision and strategy for the key clinical areas within the health care system. It followed an open-systems model to design and implement its large-group meeting.

Open-Space Methods. The second approach to large-group interventions attempts to address the four dilemmas by imposing a minimal level of formal structure. Open-space methods temporarily restructure or "self-organize" participants around interests and topics associated with the conference theme. They generally follow these steps:[30]

1. **Set the conditions for self-organizing.** In the first step, the OD practitioner or manager responsible for the large-group intervention sets the stage by announcing the theme of the session and the norms that will govern it. In addition, participants are informed that the meeting will consist of small-group discussions convened by

application 13.3

Using the Decision Accelerator to Generate Innovative Strategies in Alegent's Women's and Children's Service Line

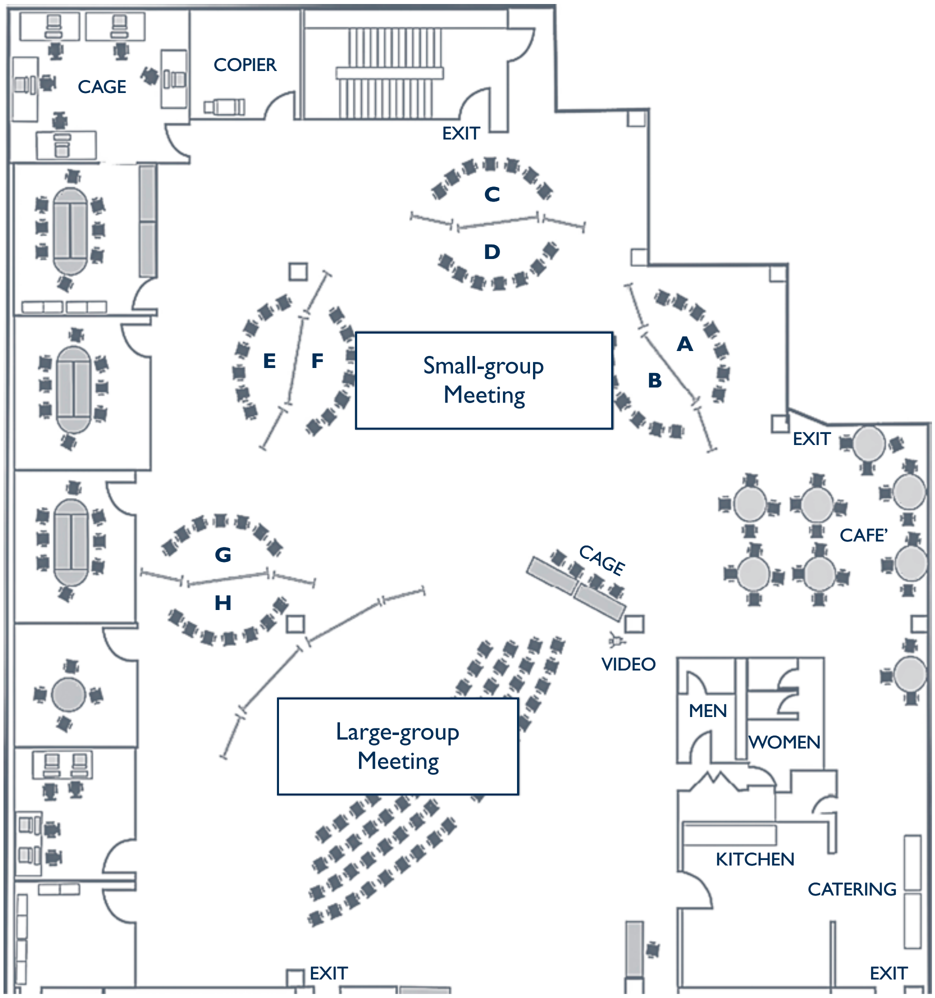
The applications in Chapters 4, 7, and 11 described the process of entry, contracting, data collection, and evaluation in a large-group intervention at Alegent Health. In this application, we describe the Women's and Children's Right Track Decision Accelerator workshop. It was one of the initial six DAs intended to set a vision and strategy for the clinical service areas within the health system.

The Alegent Health (AH) organization is a large health care system in Eastern Nebraska and Western Iowa. It has five large hospitals and a variety of outpatient clinics. As part of the change agenda from the new CEO, Wayne Sensor, a Chief Innovation Officer, Ted Schwab, was hired to lead in the development of a transformed health care system. Under a corporate vision that included achieving "world-class leadership in compassionate, faith-based health services that measurably enriches the lives of families we serve through an exceptional commitment to quality," Schwab engaged two OD consultants from California, Joel Fadem and Stu Winby. Fadem was a professor at UCLA who specialized in health care organizations, and Winby was a former internal OD consultant at Hewlett Packard, where he had innovated on large-group interventions during the HP–Compaq merger (see Application 10.4). Together, Schwab, Fadem, and Winby worked with other members of AH to decide on the use of large-group interventions as a way to generate innovative thinking, strategies, and decision making in the organization.

The strategic innovation process was kicked off in June 2005, with six large-group "decision accelerators," one for each of the clinical service lines. A decision accelerator is similar to other large-group interventions, especially those based on open-systems thinking. It has two unique attributes that distinguish it from the others. First, a DA is more than a process; it is a physical space. Alegent Health not only committed to the large-group intervention as a method for innovation, it committed physical resources to maximizing the impact of the work. The organization leased half a floor of an office building in Omaha, gutted the offices, and built a completely flexible facility to support the DA process (see figure below). Each DA space is designed to fit the situation and organization needs, but has several things in common. The primary working space is completely flexible with moveable white boards where small groups record their outputs and discussions, moveable chairs, and so on. Alegent's DA space had a unique feature that proved to be a favorite among the participants. All of the walls in the space could be written on with erasable markers. That is, the walls of the room—and there was a lot of wall space—could host planned or impromptu meetings where the group members could draw what they were thinking.

Second, the DA, like other large-group interventions, assumes that by getting the "whole system in the room," a richer, more complete conversation and better decisions ensue. However, the DA does not assume that "all" of the necessary or available information is in the room and so most DA spaces include some kind of library with Internet-enabled computer terminals and other source documentation (e.g., white papers, articles, books) that might inform the discussion during the DA.

The Women's and Children's (W&C) DA was the fourth one conducted at AH. The agenda for the W&C DA was similar to others, but Fadem and Winby worked with the VP in charge of the clinical area, Joan Neuhaus, to modify some of the activities to fit with the challenges, opportunities, and existing features of the W&C service line. For example, Joan wanted the group to address the handling of high-risk pregnancies and deliveries as well as thinking about women's health issues more broadly. Also as part of the preparation, Steve Houston, who directed the facility, put together his team of support staff, including note takers who transcribed large-group discussions and report-outs, photographers who captured all small-group outputs, a graphic facilitator who recorded the large-group conversations in a visual format, and catering for the meeting. The support staff played a critical role in the success of a DA by knowing the agenda well enough to position



the physical facility in advance of any activity so that the participants needed only to focus on the content of the meeting. This included having handouts, instructions, surveys, and other documents prepared in advance, which made it possible to handle any immediate requests from the facilitators.

On Day one, the participants arrived to a light breakfast and were immediately given a task. Using the white boards that were in front of the large-group meeting space, called the theater, each participant in the workshop was to find a marker and to write down the events, forces, trends, and innovations that they knew of or heard about in seven different categories (e.g., technology, medicine/health care, society, the economy, globally, ecologically, and in education). The white boards had been prepared in advance by Houston's team with the seven categories and with each white board representing a particular time period: 1975–1990, 1991–2005, and 2006–2020. After about fifteen minutes, the participants were asked to find two people they didn't know and the trio had to share the things they had written down.

Following the environmental scanning activity, an introduction and overview of the agenda took place. The CEO welcomed the participants and encouraged them to talk about the things that would

make Alegent Health a "world-class" organization. He referred the group to the corporate vision, expressed his commitment to the effort, and said he would be back on the last day to hear their ideas for creating a world-class W&C service line.

The next few activities asked participants, in small groups first and then in large-group report-outs, to think about the implications of the environmental events on the W&C service line by 2015, what was implied by the "world class" part of the Alegent Health vision, and the implications "world class" had for the W&C clinical area. For each activity, a relevant organizing structure was used. For example, for discussing the implications of "world class" on the W&C clinical area, the groups were broken down into stakeholder categories. How might, for example, patients, the community, or physicians view a world-class W&C service? In each activity, the small groups were composed of multiple stakeholders, including physicians, managers/executives from Alegent, patients and families, community members, and other stakeholders.

Before the day ended, Winby asked the group a question: "If there was one thing that you really want to make sure gets addressed at this meeting to make it a success for you, what would that be?" He had people write their questions on a piece of paper and put it into a box as they were leaving.

During the debrief after the first day, the facilitators and support team reviewed what went well and any processes that needed to be improved, discussed the energy and interests of the participants, and sorted the "what's most important" questions into similar themes in preparation for an activity on Day two.

Day two began with a welcome from Neuhaus and then the group went to work. The first activity was to take the work from the Day one W&C visioning activities and prioritize the different elements. The group was questioned as to what, for them, were the most important dimensions of a world-class W&C service line? In addition, the group was led through an exercise to determine if there were any technologies or regulatory events that would fundamentally alter the way health care was delivered in this area. The group discussed, for example, the implications of being able to deliver a child that was less than 20 weeks old.

In the next exercise, the facilitators asked the group to address the questions they had asked at the end of Day one. The questions had been categorized into six areas, including gaps in the community's health care, women's health service offerings, and obstetrics among others. The participants were allowed to sign up to discuss whatever subject interested them. In the report-out of the groups, an important issue that had been simmering throughout Day one was surfaced. That is, should high-risk pregnancies and deliveries be centralized to one hospital and what would that imply? The large group debated this subject from a variety of perspectives. In the end, it was agreed that such a move made sense from the world-class perspective, but that it would be difficult to implement and would face much resistance.

The final activity asked the participants to synthesize their discussions and activities into a high-level "horizons map." That is, for each of the major categories that had been discussed, including women's health, obstetrics, child/adolescent medicine, and community health, the group was to lay out the key decisions, milestones, and events that would need to take place over the next 18 months, by 2010, and by 2015 to realize their vision of a world-class W&C clinical area.

On Day three, the senior leadership team from Alegent Health joined the group and listened to a presentation of the horizon map. The graphic facilitator drew the final horizons map with pictures, words, and symbols, and this was used as the outline for the presenters. Following the presentations, the executives asked questions and discussed some of the group's decisions. In addition, they laid out the "next steps" of the process, including gathering the data from all of the clinical area DAs in order to resource the strategies appropriately.

the participants and addressing any topic they believe critical to the theme of the conference. Two sets of norms govern how open-space methods are applied, and although the norms may sound ambiguous, they are critical to establishing the conditions for a successful meeting.

The first set of norms concerns the "Law of Two Feet." It encourages people to take responsibility for their own behavior—to go to meetings and discussions where they are learning, contributing, or in some way remaining interested. Moving from group to group is legitimized by the roles of "butterflies" and "bumblebees." Butterflies attract others into spontaneous conversations and, in fact, may never attend a formal meeting. Bumblebees go from group to group and sprinkle knowledge, information, or new ideas into different meetings.

The second set of norms is labeled the "Four Principles." The first principle is "whoever comes is the right people." It is intended to free people to begin conversations with anyone at any time. It also signals that the quality of a conversation is what's most important, not who's involved. The second principle, "Whatever happens is the only thing that could have," infuses the group with responsibility, encourages participants to be flexible, and prepares them to be surprised. "Whenever it starts is the right time" is the third principle and is aimed at encouraging creativity and following the natural energy in the group. The final principle, "When it is over, it is over," allows people to move on and not feel like they have to meet for a certain time period or satisfy someone else's requirements.

2. **Create the agenda.** The second step in open-space interventions is to develop a road map for the remainder of the conference. This is accomplished by asking participants to describe a topic related to the conference theme that they have passion for and interest in discussing. This topic is written on a large piece of paper, announced to the group, and then posted on the community bulletin board where meeting topics and locations are displayed.[31] The person announcing the topic agrees to convene the meeting at the posted time and place. This process continues until everyone who wants to define a topic has been given the chance to speak. The final activity in this step asks participants to sign up for as many of the sessions as they have interest in. The open-space meeting begins with the first scheduled sessions.
3. **Coordinate activity through information.** During an open-space session, there are two ways to coordinate activities. First, each morning and evening a community meeting is held to announce new topics that have emerged for which meeting dates and times have been assigned, or to share observations and learnings. Second, as the different meetings occur, the conveners produce one-page summaries of what happened, who attended, what subjects were discussed, and what recommendations or actions were proposed. Typically, this is done on computer in a room dedicated for this purpose. These summaries are posted near the community bulletin board in an area often labeled "newsroom." Participants are encouraged to visit the newsroom and become familiar with what other groups have been discussing. The summaries also can be printed and copied for conference participants.

Positive Methods. The final large-group intervention represents a hybrid approach to the four dilemmas. It is distinguished from the other two methods by its use of the positive approach to change described in Chapter 2. In fact, many of the futuring and visioning exercises in the open-sytems approaches that help guide members in creating "images of potential" toward which the organization can grow and develop are drawn from this approach.[32] These methods can increase members' energy for change and build a broad consensus toward a new future. Like other large-group methods, these approaches can help look at a variety of organizational issues; however, their distinguishing feature is the "appreciative" framing of issues and the leveraging of the organization's positive core attributes. The Appreciative Inquiry (AI) Summit approach suggests that human

organizing and change should be a relational process of inquiry, grounded in affirmation and appreciation.[33] The four-steps in an AI summit are as follows:

1. **Discover the organization's positive core.** With respect to the purpose of the summit, participants first pair up with another person and conduct an appreciative interview. If the summit is organized to take advantage of a new market opportunity, the questions would generate stories about experiences where a group or organization was most successful in being entrepreneurial and swift. If the summit were about addressing poor organization coordination, the questions and stories would be personal experiences where two or more groups worked well together.

   Following the interviews, the pairs join up with three other pairs to discuss their answers to the questions. What is it that is common among all these stories? What are the elements of successful entrepreneurship or collaboration, for example? These small-group conversations are then aggregated to create a broad and inclusive list of success factors and other themes associated with these successful experiences.
2. **Dream about and envision a more desired and fulfilling future.** In this step, participants use the themes and success factors from the first activity to develop compelling images of the future. In this visioning exercise, participants are encouraged to make bold and provocative propositions about what could be in the future. To arrive at a bold vision, small groups share their greatest hopes or act out skits and presentations that convey what they believe is possible. Unlike open system or open space methods, there is very little proritizing or culling out of the best or more compelling themes. The positive approach believes that breadth and inclusiveness are the most important way to galvanize organization change.
3. **Design the structural and systems arrangements that will best reflect and support the vision or dream.** Members of the summit identify the design features (strategies, structures, systems, processes) that will need to be in place to make the vision a reality. This step allows participants to articulate the dream in concrete terms.
4. **Create the specific action plans that will fulfill the organization's destiny.** The primary task of destiny step is to identify the projects, initiatives, and action plans required to implement the design criteria. Task forces are formed, teams volunteer to take on projects, and any governance mechanisms needed to coordinate the effort are created.

Following up on Meeting Outcomes Follow-up efforts are vital to implementing the action plans from large-scale interventions. These efforts involve communicating the results of the meeting to the rest of the organization, gaining wider commitment to the changes, and structuring the change process. In those cases where all the members of the organization were involved in the large-group meeting, implementation can proceed immediately according to the timetable included in the action plans.

Results of Large-Group Interventions

In the past decade, the number of case studies describing the methods and results of large-group interventions has increased dramatically. Such interventions have been conducted at for-profit firms like Hewlett-Packard, Boeing, Kodak, Microsoft, Motorola, Marriott, and Rockport, and at such governmental and nongovernmental organizations as Save the Children, World Vision, the City of Carlsbad, California, and the US Department of Agriculture. Large-group interventions are increasingly common in other countries, including Pakistan, South Africa, China, Australia, England, Mexico, and India.[34] Despite the proliferation of practice, however, Purser and Griffin lament that "empirical research, such as longitudinal studies, quasi-experimental field studies, and studies of large sample sizes across a wide variety of LGIs are severely lacking.

Data that is available tends to be anecdotal or single case studies from practitioners and consultants who have a commercial stake in promoting their own methods."[35] Yaeger, Sorensen, and Bengtsson's review of AI supports this criticism. Of the 34 reported empirical evaluations of the AI Summit approach, all of them were case studies.[36] Because these change efforts often set the stage for subsequent OD interventions, it is difficult to isolate their specific results from those of the other changes. Anecdotal evidence from practitioners and case studies suggest that benefits can include increased energy toward organizational change, improved feelings of community, ability to see "outside the box," increased speed of change, and improved relationships with stakeholders.[37] In addition, several case studies have documented improved business outcomes, such as decreased turnover, absenteeism, and costs.[38] Clearly, systematic research is needed on this important systemwide process intervention.

SUMMARY

This chapter described three types of systemwide process interventions: confrontation meetings, intergroup interventions, and large-group interventions. The organization confrontation meeting is a way of mobilizing resources for organizational problem solving and seems especially relevant for organizations undergoing stress. The intergroup relations approaches are designed to help solve a variety of organizational problems. Microcosm groups can be formed to address particular issues and use parallel processes to diffuse group solutions to the organization. The intergroup conflict resolution approach involves a method for mitigating dysfunctional conflicts between groups or departments. Conflict can be dysfunctional in situations in which groups must work together. It may, however, promote organizational effectiveness when departments are relatively independent of each other. Large-group interventions are designed to focus the energy and attention of a "whole system" around organizational processes such as a vision, strategy, organization design, or culture. It is best used when the organization is about to begin a large-scale change effort or is facing a new situation. These three process interventions represent important, time-honored, and successful methods of introducing change in organizations.

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Lincoln Hospital: Third-Party Intervention

Soon after the election of a new chief of surgery, the president of Lincoln Hospital faced a crisis. Lincoln, a 400-bed for-profit hospital in the southwestern United States, was experiencing severe problems in its operating room (OR). Forty percent of the OR nurses had quit during the previous eight months. Their replacements were significantly less experienced, especially in the specialty areas. Furthermore, not all could be replaced; when the crisis came to a head, the OR was short seven surgical nurses.

Also, needed equipment often was not available. On several occasions, orthopedic surgeons had already begun surgery before they realized the necessary prosthesis (for example, an artificial hip, finger joint, or knee joint) was not ready, or was the wrong size, or had not even been ordered. Surgery then had to be delayed while equipment was borrowed from a neighboring hospital. Other serious problems also plagued the OR. For example, scheduling problems made life extremely difficult for everyone involved. Anesthesiologists often were unavailable when they were needed, and habitually tardy surgeons delayed everyone scheduled after them. The nursing shortage exacerbated these difficulties by requiring impossibly tight scheduling; even when the doctors were ready to begin, the scheduled nurses might still be occupied in one of the other operating rooms.

The surgeons were at odds among themselves. Over 30 of them were widely regarded as prima donnas who considered their own time more valuable than anyone else's and would even create emergencies in order to get "prime time" OR slots—for which, as often as not, they were late. Worst of all, however, the doctors and nurses were virtually at war. Specifically, Don, the new chief of surgery, was at war with Mary, the veteran OR director; indeed, he had campaigned on a promise to get her fired.

Lincoln's president was faced with a difficult choice. On the one hand, he needed to satisfy the physicians, who during the tenure of his predecessor had become accustomed to getting their way in personnel matters by threatening to take their patients elsewhere. The market was, as the physicians knew, increasingly competitive, and the hospital was also faced with escalating costs, changes in government regulations, and strict Joint Commission on Accreditation of Hospitals standards. Could the president afford to alienate the surgeons by opposing their newly chosen representative—who had a large practice of his own?

On the other hand, could he afford to sacrifice Mary? She had been OR director for 13 years, and he was generally satisfied with her. As he later explained,

> Mary is a tough lady, and she can be hard to get along with at times. She also doesn't smile all that much. But she does a lot of things right. She consistently stays within her budget . . . .

Furthermore, whereas Don had long been an outspoken critic of the hospital and was generally distrusted by its administrators, Mary was loyal, a strict constructionist who adhered firmly to hospital policies and procedures:

> She is supportive of me, of the hospital, and of our interests. She doesn't let the doctors get away with much. She has been an almost faultless employee for years, in the sense that she comes to work, gets the job done, never complains, and doesn't make any waves. I really don't understand the reason for the recent problems. I trust her and want to keep her. It would be extremely difficult to replace her.

The last point was a key one; a sister hospital had spent almost three years unsuccessfully trying to recruit an OR director.

After talking with both nurses and doctors, the president decided not to fire Mary. Instead, he told both Mary and Don that they must resolve their differences. They were to begin meeting right away and keep on meeting, however long it took, until they got the OR straightened out.

The results were predictable. Neither party wanted to meet with the other. Mary thought the whole exercise was pointless, and Don saw it as a power struggle that he could not afford to lose. The president, who wanted an observer present, chose Terry, the new executive vice president and chief operating officer. Mary didn't know Terry very well so she asked that her boss, the vice president of patient services, sit in. Don, who "didn't trust either Mary or her boss as far as he could throw them," countered with a request for a second of his own, the vice president for medical services. When the meeting finally occurred, it quickly degenerated into a free-for-all, as Don and Mary exchanged accusations, hotly defended themselves, and interpreted any interventions by the three "observers" as "taking sides."

DIAGNOSIS

At this point, Lincoln's president called me. We negotiated a psychological contract, where the president shared the above historical information, described the problem as he saw it, and identified his expectations of me and for the project. I, in turn, articulated my expectations of the president. We then agreed to take no steps until I had interviewed both Don and Mary.

Later that afternoon, Don expressed his anger and frustration with the hospital administration and, most of all, with Mary:

> I don't want to have anything to do with this lady. She is a lousy manager. Her people can't stand to work with her. We don't have the equipment or the supplies that we need. The turnover in the OR is outrageous. The best nurses have quit, and their replacements don't know enough to come in out of the rain. . . . All we want is to provide quality patient care, and she refuses to let us do that. She doesn't follow through on things.

He particularly resented Mary's lack of deference.

> Mary's behavior is so disgraceful it is almost laughable. She shows no respect whatsoever for the physicians. . . . She thinks she can tell us what to do and order us around; and I am not going to put up with it any longer. When I agreed to take this job as chief of surgery, I promised my colleagues that I would clean up the mess that has plagued the OR for years. I have a mandate from them to do whatever is necessary to accomplish that. The docs are sick and tired of being abused, and I am going to deal with this lady head on. If we got rid of her, 95 percent of our problems would go away. She has just gone too far this time.

In his cooler moments, Don admitted that Mary was only partly to blame for the OR's problems, but he still insisted she must be fired, if only to prove to the doctors that the hospital administration was concerned about those problems, and that something was being done.

> *Observation:* I am always a bit suspicious about the objectivity of someone who has reached the conclusion that someone must be fired. There is almost always something else that is going on that requires more investigation.

Mary was both angry and bewildered. She saw herself as fair and consistent in dealing with doctors and nurses:

> Things had gone relatively well until six months ago. At that time, some of the orthopods started scheduling surgeries and then canceling them at the last minute, which, in turn, fouled up the schedule for the rest of the doctors. When I called them on it, Don went on a rampage. He is the leader of the pack, and now he has blood in his eyes. I have tried to talk with him about it, but he won't listen.

And just as Don's assessment echoed, in an exaggerated form, the doctors' perception of Mary as an exceptionally strong-willed woman, Mary's assessment of Don echoed his reputation among the orthopedic nurses and hospital administrators, who feared and distrusted his quick temper and sharp tongue:

> Not only that, but I find his filthy mouth very offensive. I am not going to cooperate with him when he behaves like that. Nobody else talks to me that way and gets away with it. Nobody, I won't put up with it. As long as he behaves that way, it is a waste of time to meet with him. I am sure that I am doing things that bother him, and I want the OR to run as smoothly as possible. But there is no way we can deal with these problems unless we can sit down and talk about them without being abusive.

Clearly, both Mary and Don had strong needs to control other people's behavior, while remaining free of control themselves. It is significant that each used the word *abuse* to describe the other's behavior. They did respect each other's technical abilities, but morally, Mary saw Don as "an egotistical jerk," and he saw her as a "rigid, petty tyrant." Neither trusted the other, thus, each was inclined to misconstrue even unintentionally negative comments—an especially disastrous state of affairs in the gossipy environment at Lincoln, where surgeons, nurses, and administrators were quick to relay, and amplify, the signals of hostility.

It was obvious from these initial interviews that Don and Mary were largely contributing to the OR problems; but it was also obvious that many others had a stake in the outcome of their battle. I therefore went on to interview the surgical head nurses, the vice presidents for patient services and medical services, the executive vice president, the president, and 25 physicians.

The vice presidents and the surgical head nurses agreed with the president: Mary might not be the hospital's most personable manager, but she was a good one. Her conservative, tenacious, no-nonsense style had earned the trust of administrators and the respect of OR nurses, as well as some physicians. As one nurse asserted: "Good OR managers are hard to find and certainly Lincoln is far better off with Mary than without her."

The doctors, in general, supported Don, though some of them had reservations. At one extreme, an anesthesiologist began with a classic disclaimer:

> Now, I want you to know that I don't have any problems with Mary, personally. In fact, I really like her. We have been friends for years, and we get along just great.

Nevertheless, he was convinced the OR problems were "100 percent Mary's fault. I have no doubt about that." Furthermore, although he claimed to be, as an anesthesiologist, "a completely neutral third party in this whole business," he clearly shared Don's assumption that Mary's job as an OR manager was to keep the surgeons happy:

> Her people hate her. She is a lousy manager. She just can't work with the MDs. Surgeons are a rare breed, and there is no changing them. You have got to get someone in there who can work with them and give them what they want.

His conclusion echoed Don's: "She ought to be fired, if for no other reason than to prove that something is being done to address the problems in the OR."

> *Observation:* I am always leery of someone who says, "It is all her fault." When someone is blamed for 100 percent of the problem, it usually evidences either denial or a coverup. There may be a completely innocent party in an emotionally charged conflict, but I have never met one. Emotionally charged conflicts are always power struggles, and it takes two parties to play that game.

A less enthusiastic partisan, a surgeon who was a 10-year veteran of the Lincoln OR, was very conscious of the way expectations such as those expressed by Don and the anesthesiologist were apt to be viewed by others in the medical community:

> Quite frankly, I am embarrassed to admit that I am a surgeon in this town; by doing so, I am automatically branded as an egotistical dim-wit. With only a few exceptions, those guys are a group of conceited, narcissistic technicians who are so caught up with themselves that they have no clue about what is going on around them. Some of them are bullies, and they push the rest of us around because we don't have the patient census they do.

His assessment of blame was correspondingly more moderate than the anesthesiologist's: "A lot of people would like you to think that this problem is one sided, and that Mary is totally responsible for this mess. But that isn't true." And while he supported Don, whom he described as reasonable and willing to listen to logic, his principal wish was to avoid personal involvement: "I am glad he is fighting this battle. I won't. The thought of getting caught between him and Mary scares me to death."

This last wish was vividly elaborated by another surgeon, who also highlighted the general perception of Mary as a strong personality:

> I don't mess with Mary at all. I'm not stupid. It's true that I don't like some of the things that she does. Sometimes she is just plain ornery. But I also am not willing to take her on. In fact, at this point, I will do whatever she wants, whenever she wants it. If the other docs are smart, they won't mess with her either. They can talk big in their meetings, but if they have any sense, they won't mess with that lady. She controls too many of the resources I need to do my job. So far she has been very helpful, and she has gone out of her way to do me some favors. I don't want to mess that up. I think it is great that Don is willing to take her on, and I wish him success. That way, if she wins, it will be him that gets beat up, not me.

The high turnover among OR nurses was a particularly sore point among the surgeons in general, whose frustration was explained by Don:

> I don't think the administration has a clue as to how urgent this matter really is. It takes at least five years for a surgical nurse to gain the necessary skills to be useful. In the last two months, we have lost some of the best nurses I have ever worked with in my life. As a result, I had to start the training process all over again. It has seemed like I've been working with a group of student nurses! This turnover has cut my productivity by more than 50 percent.

Most of the doctors blamed the high turnover on the nursing managers' inability to retain qualified personnel, whereas the managers blamed it on the doctors' verbal abuse. And in fact, a significant number of doctors were widely regarded by some of their peers as well as by the nurses as impatient, intolerant perfectionists who demanded far more of others than they did of themselves.

From the extended interviews, it was obvious that while Mary had greater credibility with the hospital administration and Don had more backing from the doctors, each had a certain amount of power over the other's constituency: Mary controlled the surgeons' working conditions, while Don controlled a significant portion of the hospital's patient flow. The OR problems could not be resolved without genuine cooperation from both of them—especially from Don, who was outside the formal hierarchy of the hospital and could not be coerced by the president.

I met again privately with each of them to determine whether they were honestly committed to improving their working relationship. Both were skeptical about the possibility of real change but said they were willing to do everything they could to help, as long as their own basic values were not violated. Each defined the kind of help he or she was willing to accept from me and the circumstances under which that help was to be given.

INTERVENTION

Only at this point did actual third-party facilitation intervention begin. I used a design that included perception sharing, problem identification, contracting, and follow-up meetings. At their first formal meeting together with me and the three vice presidents who acted as observers, Mary and Don began by writing answers to three questions:

1. What does he or she do well?
2. What do I think I do that bugs him or her?
3. What does he or she do that bugs me?

The very process of writing things down was helpful. It gave them time to get used to this explicitly confrontational situation before either of them had a chance to "pop off" at the other, and it forced an element of rationality into an emotionally charged situation. Also, the questions required specific answers concerning behaviors, not subjective generalizations about personalities. Listing specific behaviors made each of them realize that at least some of the things they disliked about the other could be changed.

They then explained these responses orally, in the order shown in Exhibit 1. Because of their mutual hostility, I thought it safer to require that at first they address their remarks only to the third party, not to each other. Each, however, was required to hear the other's presentation so each would understand the other's perceptions. And because both were guaranteed an uninterrupted speech, each was more likely to listen to the other. Taking up the positive perceptions first helped. As Don later explained:

> I was stunned to hear her say those positive things, particularly the part about me taking care of her family. For a long time, I had seen her as my enemy, and I expected only the worst. I was amazed that she had so much respect for me. As a result, many of my negative feelings for her began to leave. It is really tough to stay angry at someone who says so many nice things about you. I also found that I was much more willing to listen to what I do that bugs her. Somehow, criticism is always easier to take when it is accompanied by something positive.

It also helped that before making any accusations against each other, they were required to examine their own behavior. As Mary acknowledged, neither had ever taken the time to figure out specifically how he or she might be causing problems for the other:

> It had never really occurred to me that I may be doing something that caused Don to react that way. Vaguely, I suspected that I may be doing something that he didn't like, but I was hard pressed to identify what it was. I really had to stand back and say to myself, "What is it that I am doing that is making this working relationship go sour?" I had spent so much time concentrating on what he was doing that bugged me that I hadn't looked at myself.

The oral discussion of this question made it obvious that neither was intentionally causing problems for the other, making both parties less hypersensitive to imaginary insults. Also, because both were much harder on themselves than they were on each other, the milder criticisms they did subsequently direct at each other were not nearly as offensive as they would otherwise have been.

The next step was to identify specific problems for Mary and Don to address. They wrote their responses to question three on a sheet of newsprint, assigning vectors to represent the relative seriousness of the problem. Some of the most serious problems could be resolved immediately; others were going to take longer, but at least Don and Mary now knew what their priorities had to be.

Finally, it became possible for them to agree on specific behavioral changes that might help. Don and Mary each defined what they wanted from the other and negotiated what they themselves were willing to undertake; I moderated the meeting and wrote down the decisions. (At the end of the meeting, Don, Mary, and the three observers each received a copy of these commitments.) Because Mary and Don

[Exhibit 1]

Participant Responses to Three Questions in the Third-Party Facilitation Model

1. **What does Mary admire about Don and think he does well?**
   - He is very concerned about patient care.
   - I admire him for his skills as a surgeon. I would have no problem sending a member of my family to him.
   - He is interested and wants to work out issues that we have with each other.
   - He can be very gentle and considerate at times.
   - He is well respected for his skills by his peers and by the OR nursing staff.
2. **What does Don admire about Mary and think that she does well?**
   - She is honest in her work.
   - She has met my needs in orthopedics in getting us the instruments and equipment we need.
   - She has a lot of external pressures on her and she has handled them well.
   - She deals well with the various groups that are pulling at her: patients, staff, administration, physicians.
   - She manages the overall picture very well in the OR.
3. **What does Don think he does that bugs Mary?**
   - I am impatient. (Mary agrees)
   - I am demanding of personnel in surgery, but everyone can't always get what they want, when they want it. (Mary disagrees)
   - She is uncertain as to how much I am willing to support her this coming year. (Mary agrees)
   - I am not the best listener. (Mary agrees)
4. **What does Mary think she does that bugs Don?**
   - I don't listen to him. (Don agrees)
   - I appear defensive at times. (Don agrees)
   - I respond to some directives in a very detailed manner. (Don agrees)
5. **What does Mary do that bugs Don?**
   - She is difficult to communicate with. I can talk to her, but I am not sure that she is listening.
   - She doesn't assume the responsibility for some specific problems, such as not being able to do an operation without a full set of prosthesis available.
   - She doesn't effectively manage the personnel that she supervises in OR. Specifically, there is a great deal of disruption going on. And there are also morale problems, particularly as they relate to their trust of her and her trust of them in the OR.
6. **What does Don do that bugs Mary?**
   - He generalizes and is not very specific with examples, even when questioned.
   - The staff labels him as a whiner, in terms of "nothing is ever right," his complaining, etc. This also relates to laying out problems and then walking away.
   - He sometimes says one thing but means another—and gives mixed messages. An explanation of this is my asking him how things are going, he says fine, but then I find out that he has problems later in the day.
   - I do not feel a full measure of support from him, and that bugs me.
   - He doesn't always listen to my concerns.

were interdependent, either could easily have sabotaged the other's efforts. Therefore, in defining each action item, I reminded them to specify responsibilities for both parties:

- What will Don (Mary) do to resolve this problem?
- What will Mary (Don) do to help the other succeed?

This technique made both parties jointly responsible for resolving each problem and thus changed the whole dynamic of the relationship—from mutual isolation to collaboration, from denial of responsibility to acceptance of responsibility, and from a focus on problems to a focus on solutions.

During the next year, I had four more meetings with Don, Mary, and the three vice presidents. Before each meeting, I interviewed each participant privately. At the beginning of each meeting, the participants gave general reports on what was going on, between Mary and Don and in the OR in general. In particular, I asked the two to list positive events and specific behaviors on each other's part that they appreciated. They then reviewed the commitments they had made during the previous meeting. In almost every case, both Mary and Don had kept these commitments, thus building a basis of trust for further commitments during the latter part of the meeting. Where they had not kept the commitments, plans were made to ensure follow-through before the next meeting.

Questions

1. If you had been called by Lincoln's president to help resolve the problems described in the case, how would you have carried out the contracting and diagnosis stages? What would you have done differently than what the OD consultant did?
2. Is third-party intervention an appropriate intervention in this case? Other possible OD interventions?
3. How effective was the third-party intervention? Next steps?

SOURCE: R. Wayne Boss, *University of Colorado;* Leslee S. Boss, *Organization Research and Development Associates;* Mark W. Dundon, *Sisters of Providence Hospital.*

Ben & Jerry's (A): Team Development Intervention

"Two real guys," Ben Cohen and Jerry Greenfield, head Ben & Jerry's Homemade Inc., an independent ice cream producer that has gained market share and public approbation against industry competitors Häagen-Dazs (made by Pillsbury), Frusen Glädjé (made by Kraft), and Steve's. The story of the founders has a romantic, antiestablishment quality to it that reads like a new-age entrepreneur's dream.

The "boys," childhood friends, each dropped out of college in the late '60s, worked at odd jobs for a time, and together opened a small ice cream scoop shop in Burlington, Vermont, in 1978 with scant know-how (they learned ice-cream making through a $5 correspondence course) and less capital (they started with $12,000—a third of it borrowed). But they had something else going for them: a combination of old fashioned values and new-fangled ideas.

Neither Ben nor Jerry had any intention of becoming businessmen. From the start, however, both were committed to making the best ice cream possible and to having fun while doing it. More than this, these "self-styled Vermont hippies," as the press calls them, were committed to the simple notion that business draws from the community and is obliged to give something back to it. In the early days, this meant giving away ice cream to loyal customers and worthy charities. As the company grew to sales of near $50 million, B&J's embraced what it calls a *social mission* to improve the quality of life—not only of employees, but also locally, nationally, and internationally—and to do so in an innovative and upbeat way.

The economics of B&J's show fast-track growth over the past several years characteristic of very successful startup companies (see Exhibit 1 from the 1988 annual report). Sales doubled annually from 1984 to 1986 and increased nearly 50 percent from 1987 to 1988. The company is today the super-premium market leader in Boston and New York City and distributes its products in grocery stores and mom-and-pop convenience outlets in Florida, the West Coast, and parts of the Midwest. Some 80 franchises operate scoop shops in these markets, and the company's "pints" manufacturing facility and headquarters in Burlington have become Vermont's second-largest tourist attraction with over 600,000 visitors annually.

In addition to expanding this facility, B&J's recently built a novelty plant in Springfield, Vermont, to manufacture ice-cream brownie bars and stick pops and leased space to house its marketing, franchising, promotion, and art departments. Today, over 350 people work at B&J's. Production runs around the clock, staffed by a few dairy experts and many more offbeat people who gravitated to the company because of competitive wages, its funky image, and its social mission. Among the production staff is a team of handicapped employees who have distinct and important responsibilities.

The product side of B&J's blends what *Time* magazine calls "incredibly delicious" ice cream. The story goes that Ben has deficient taste buds, so products have to be particularly pungent to stir his palate. This means "double-fudge" and "big-chunk" add-ins to the ice cream. Funky flavors, like "Cherry Garcia," an assortment of T-shirts, Vermont "cow" paraphernalia, and wacky promotions all make word-of-mouth marketing the key to B&J's commercial success. And, yes, the founders insist on having fun. At annual meetings, Jerry, trained in carnival tricks, uses

[Exhibit 1]

Annual Report 1988: A Report to Shareholders, Customers, Community Members, Suppliers, and Employees

Five Year Financial Highlights (in thousands except per share data)
Summary of Operations:

	Year Ended December 31				
	1988	1987	1986	1985	1984
Net sales	$47,561	$31,838	$19,954	$9,858	$4,115
Cost of sales	33,935	22,673	14,144	7,321	2,949
Gross profit	13,627	9,165	5,810	2,537	1,166
Selling, delivery and administrative expenses	10,655	6,774	4,101	1,812	822
Operating income	2,972	2,391	1,709	725	344
Other income (expense)—net	(274)	305	208	(31)	(13)
Income before income taxes	2,698	2,696	1,917	694	331
Income taxes	1,079	1,251	901	143	118
Net income	1,618	1,445	1,016	551	213
Net income per common share (1)	$.63	$.56	$.40	$.28	$.12
Average common shares outstanding (1)	2,579	2,572	2,565	1,991	1,724

Balance Sheet Data:

	Year Ended December 31				
	1988	1987	1986	1985	1984
Working capital	$5,614	$3,902	$3,678	$4,955	$676
Total assets	26,307	20,160	12,805	11,076	3,894
Long-term debt	9,670	8,330	2,442	2,582	2,102
Stockholders' equity (2)	11,245	9,231	7,758	6,683	1,068

(1) The per share amounts and average shares outstanding have been adjusted for the effects of all stock splits, including stock splits in the form of stock dividends.
(2) No cash dividends have been declared or paid by the company on its capital stock since the company's organization and none are presently contemplated.

a sledgehammer to break a cement block over the stomach of the mystical "Habeeni Ben Coheeni."

It is, however, the social mission of B&J's that most distinguishes it from corporate America. The good works of the company are many and range from regular donations to community and social action groups to a commitment to buy only Vermont-based cream from area dairy cooperatives. B&J's embraces socially responsible marketing and has proposed to "adopt a stop" in the New York subway system (which the company would clean and maintain in lieu of advertising) and begun an innovative joint

venture with the Knowledge Society in the Soviet Union.

Recently, the company introduced "Peace Pops" as part of the "1% for Peace Campaign." This effort is aimed at encouraging other businesses to join a movement urging the government to devote one percent of the defense budget explicitly to peaceful purposes. A new product featuring Brazilian nuts obtained at above-fair-market price from native Brazilians is further evidence of the founders' social commitments.

INNOVATING INSIDE OF B&J'S

Ben and Jerry have been at the edge of innovation since the company went public. Rather than seeking venture capital to expand the business, they drew up a stock prospectus on their own and sold shares to Vermonters door to door. One in every 100 Vermont families bought in to the tune of $750,000. When Häagen-Dazs tried to pressure shopkeepers to keep "Vermont's finest" off their shelves, Ben and Jerry started a grass-roots campaign against Pillsbury replete with bumper stickers (What's the Doughboy afraid of?) and a one-person picket line (Jerry) at the Pillsbury headquarters.

Ben and Jerry have tried to introduce this same funky and socially responsible orientation inside the company. The company's mission and many of its policies and practices (see Exhibit 2) reflect the upbeat and caring values of the founders. A policy of "linked prosperity" ensures that 7.5 percent of pretax profits go to good works and five percent is returned to employees via profit sharing. The salary ratio between the top paid and least paid in B&J's is set at five to one. This means, if managers want to earn more, they have to increase the base wage throughout the company.

Employees come in all shapes and sizes. Most are young (under 30) and many have responsibilities well beyond their experience. It is a matter of pride to all that B&Jer's can speak, act, and dress "like themselves." Still, the work is demanding and the pace frenetic. The production room is often awash in cream, and the freezer crew works in chilling conditions. There is nothing akin to market research in the company, demand is fluid and unpredictable, and when I first arrived on the scene, the franchising and sales managers weren't communicating with each other and neither paid attention to the marketing director.

In 1987, it became evident to Ben and Jerry, as well as to managers and employees, that the company's external image—of funk, fun, and love—was out of sync with the atmosphere inside the company. The company was always short on ice cream and long on hours, pressure, and problems. The author was commissioned to work with the founders and board of directors and with the management and work force of the company to undertake organizational development and bring people, functions, aspirations, and directions together.

ENTRY

Henry Morgan, former dean of the School of Management at Boston University and board member at B&J's, contacted me about this project. Henry comes from a long line of New England activists deeply committed to the improvement of the human condition. His family lineage traces to Hawaii where ancestors were missionaries, and Henry has had a career as an entrepreneur, management innovator, and social investor. In addition to his membership on B&J's board, he is active on other boards and is a leader in the Council of Economic Priorities' efforts to promote corporate social responsibility.

Entry through Henry, however, posed some risks. For example, like Henry, I was an outsider coming into B&J's where the emphasis, to this point, had been on "homegrown" innovation. Ben, Jerry, and Jeff Furman, an attorney and longtime B&J's counsel, had

[Exhibit 2]

Ben & Jerry's Mission and Operating Principles

Ben & Jerry's, a Vermont-based ice-cream producer, is dedicated to the creation and demonstration of a new corporate concept of linked prosperity. The company has three central missions and several key operating principles.

Three Missions

Product Mission: To make, distribute, and sell the finest quality all natural ice cream and related products in a wide variety of innovative flavors made from Vermont dairy products.

Economic Mission: To operate the company on a sound financial basis of profitable growth, increasing value for our shareholders and creating career opportunities and financial rewards for our employees.

Social Mission: To recognize the central role that business plays in the structure of society by seeking innovative ways to improve the quality of life for a broad community—local, national, and international.

Operating Principles

Linked Prosperity: "As the company prospers, the community and our people prosper." 7.5% of pretax profits go to the Ben & Jerry's Foundation for distribution to community groups and charities. Five percent of profits are put into a profit-sharing plan. Five to one salary ratio between top management and entry-level production workers. To raise top pay, raise the bottom up.

Community Development: "Business has the responsibility to give back to the community." Donations of ice cream by request to all Vermont non-profit organizations. Leveraged assistance where B&J will help non-profits stage fund-raisers selling Vermont's finest ice cream.

Ownership Perspective: "Everybody is an owner." Employee stock ownership, stock grants, and stock purchase plan. All-company "town meetings" monthly.

Integrity: "Two real guys." All natural products. Commitment to Vermont Dairy Cooperatives. "What you see is what you get." People can speak, act, and dress as they wish.

Work Hard/Have Fun: "Bend over backwards." Pledge to meet orders, satisfy customers, make things right for people. "If it's not fun, why do it?" Company celebrations. Jerry's Joy Committee to spread joy in the workplace.

Human Activism/Social Change: "A model for other businesses." One percent for Peace Campaign. Socially responsible marketing. Joint ventures in Israel and Moscow to spread goodwill.

crafted the company's innovative employment and investment policies. It was unclear to me what these three really wanted from an OD program. Was I being brought in to get management "aligned" behind the founders' guiding precepts as a phone conversation with Ben intimated? Or were the precepts themselves open to question and modification via management and employee input? If so, did it require an outsider to stimulate this reexamination? Or was I being set up?

To complicate matters, there was a division in the board of directors. Ben, Jerry, and Jeff were rather more "far out" in their aspirations for the company, particularly in comparison to the more conservative general manager, Fred "Chico" Lager. The former anticipated an outpouring of good vibes once "people power" was unleashed. Chico had more everyday concerns: feuding between management, unclear lines of authority and responsibility, a lack of operational control. More specifically,

as an example, a freezer door was broken and neither the freezer, nor maintenance, nor production managers claimed ownership of the problem or took responsibility to see that it was fixed. That, to him, was symptomatic of an undeveloped organization.

Finally, there was the matter of defining OD. Neither Ben nor Jerry nor the board had any inkling about what OD is and what OD people do. I had to educate them about the field and make some kind of action proposal. This would mean getting to know people, getting a handle on their hopes and their problems, and learning something about the icecream business and conditions in the marketplace. Where to start? I went to a board meeting to check out members' hopes for organization development and what they wanted from me.

FIRST BOARD MEETING

Ben

> I want our people to love their work and have positive feelings about the company. Love, soul, kindness, consideration, generosity, fairness, heart.

Jerry

> I want a feeling of togetherness and family feeling . . . I'd like staff to feel it was their company.

Jeff

> I'd like to see spirit and energy to make a difference in the world . . . plant seeds of new and different possibilities of looking at our culture and world. Not corporate America.

Chico

> Something special and unique that is making new ground, that will be studied and appreciated years to come.

Henry

> More open communication, listening at the top. More buy-in to shared values. Showing respect for the individual.

Merritt

> Awakened enthusiasm, accomplishment, high morale.

At this first meeting, I asked board members to state their vision of the ideal organization and hopes for the OD effort. Ben and Jerry talked of peace, love, family feeling, and good vibes. Jeff was on a different wavelength: He articulated a political vision where B&J would be an exemplar of a radical new kind of organization. Chico spoke about innovativeness and excellence, without the radical chic or global emphasis. Henry's hopes were addressed to better human relations and human resource management. Merritt, another businessman cum board member, expressed similar sentiments.

I had the board members write their visions on sheets of paper, and then together we burned them to symbolize how energy and togetherness could transform things. Some chanting added to the ritual. It must have seemed a bit hokey to the board, but I have my own preferences and style of doing things and wanted to illustrate my own offbeat inclinations. In any case, Ben had offered me a wizard's hat to signify his vision of my role. The fire trick fit the costuming.

That night, however, I had some misgivings. It was clear that, when pressed, neither Ben, nor Jerry, nor any board member save Chico would provide the day-to-day leadership needed to move development through the organization. On the contrary, the founders wanted to hand off the responsibility to Chico and his to-be-formed management team. My job was to help bring that team into being and to ensure that the team took leadership of B&J's business and social missions. It was also to help bring the work force together in as-yet-undefined ways.

Should I start my work at the top? I had an inkling that the board was not aligned behind any one definition of Ben & Jerry's. However, the board was not, at this time, asking for assistance with its work nor could the members openly talk about problems within the group. The problems, in board members' eyes, rested within the organization. That made Chico and his team the natural focus of

intervention. Chico, at this time, had 20 managers reporting to him, with responsibilities ranging from running the manufacturing plant to handling orders for T-shirts and other B&J paraphernalia.

Still, I worried whether OD would directly reach the work force. If I worked from the top down, it might take months (years) to have a direct bearing on people's work lives. The production workers were full of ideas, I was told, and eager to become more involved. Maybe some form of quality-of-work-life program was in order wherein employees could take active responsibility for problem solving in their own areas of responsibility. My question: Were managers and supervisors ready for this?

The next step was to do some fact-finding in the company. I arranged with Chico to conduct interviews with all of his 20 managers, tour the plant, talk with production workers and sales personnel, and generally sniff around. That would lead to a diagnosis of the organization and an action proposal.

DIAGNOSIS

Three months of interviews with key managers and staff at B&J's showed the following areas of strength and concern in the company:

Strengths:

- High commitment to the company and its mission.
- Norms of honesty and straightforwardness.
- Smart and articulate management.
- High interest in growth and learning.
- Founders and general manager as role models.

The interviews affirmed the positive public side of B&J's: Managers and employees were wholly dedicated to the company. Many of the managers had left successful jobs in other companies to come to B&J's because of its funky atmosphere, freewheeling style, and socially responsible orientation. Some had taken salary cuts to come aboard. The managers were smart and each had his or her own view of how the company should develop. These views, taken together, pointed to a more participatory style of management with people charged with higher levels of responsibility. This would require more training, of managers and supervisors, in both technical and managerial areas. They would also need to get organized—with more clarity about who was doing what and why.

The interest was there. Everybody I spoke with was eager to learn more and get better at their jobs. The commitment was also there. Many professed deep feelings of connection to Ben and Jerry and were inspired by the chance to take "their company" and run it. They also looked to Chico to teach them the ins and outs and looked forward to working closely with him as part of the "management team."

Concerns:

- People and systems not keeping pace with growth.
- Lack of clear structure, roles, and teamwork.
- Lack of common mission, direction, priorities.
- People are stretched to the limit.
- Founders and general manager are both company's greatest strength *and* greatest weakness.

The roster of concerns shows that Ben & Jerry's was underorganized for handling the challenges posed by rapid growth in the marketplace and work force. Interviewees talked about the absence of clear goals and agreed-to priorities, problems of communication and coordination, tasks half-finished and new initiatives begun, then dropped. No one had the time to get on top of things or ensure follow-through.

Furthermore, the interviewees depicted the founders and general manager as both the company's greatest strength and its greatest weakness. To this point, Ben and Chico had access to the most relevant information and called most of the shots. But conflicts between the two were legend. Ben would push for better quality, faster flavor development,

funkier ads and promotions, while Chico would urge pragmatism, shuffle priorities, mediate tensions, and hawk expenses.

These two titans seemed to be omniscient: They handled hot problems and made all the right moves. But nobody knew how they worked things out or got things done. It was plain enough, however, that the to-be-formed management would have to set more of the direction, solve more of the problems, and develop systems for control and follow-through if participatory management and decentralization were to be accomplished. Furthermore, they would have to get closer to one another personally and develop more trust and confidence in one another, if family feeling and pride of ownership were to prevail.

Thus I pitched the OD effort at helping the board of directors to clarify the company's mission and to cede operating responsibilities to management. In turn, the board was to empower managers to run the company in a strong, unified, and responsible fashion. There were pragmatic issues to address: the managers did not see themselves as a team nor had they worked together to formulate goals and establish roles and responsibilities.

There were also matters of principle on the agenda: many managers had no prior experience leading a company so dedicated to social responsibility. Several, frankly, did not fully buy into socially oriented company policies, including the active association of the company with the 1% for Peace Campaign and the salary ratio of five to one between the highest and lowest paid members of the corporation. A few were chafing at the mandate of the founders to have "fun" at work while still achieving record rates of production at superior quality standards.

TEAMBUILDING VIA A RETREAT

The 20 managers and Chico went to an offsite retreat where all were blindfolded and roped together in their three work-related clusters and then charged with locating three inner tubes symbolically lashed together maybe 75 yards away. The members of each cluster shouted out instructions or demanded them, took stabs at leading and then pulled back in frustration, while the other groups stumbled along vainly searching for the "goal." One group finally located the tubes, then cheered for their own success and chided the other groups. This experience provided a window into current dynamics in the company and led us to examine teamwork, competition, and cooperation during the rest of the retreat.

Thereafter, the managers climbed ropes, worked on problem-solving initiatives, and trekked in the out of doors, all in the service of finding new ways to work with one another. One evening they talked about their personal lives and values through the medium of "mind maps." Everyone recorded on a silhouette the persons and events that had most shaped their character, how they wanted to be thought of in the company and by their peers, and what mark they wanted their life to leave behind. Several spoke of their scarring experiences in Vietnam, their poignant efforts to cope with family trials, the impact their mothers, fathers, and now their spouses and children had on them. Many cried. There were hugs and cheers.

The next evening, the clusters had the opportunity to put on skits about their part of the organization. The manufacturing cluster drew from a popular game show to show their peers the "jeopardy" involved in making high-volume, high-quality foodstuffs. The marketing and sales group selected a member to wear the beard of one of the founders and joined him in songs and dance about the foibles of competing with less socially responsible companies and the seeming folly of having fun at work.

The search for the inner tubes was repeated at the end of the retreat. The groups quickly joined forces with the others to analyze the problem, work out a plan, figure out roles and

responsibilities, and establish procedures to stay in touch with one another. They reached the goal in one third of the time. The retreat concluded with each attendee selecting a "totem" to represent his or her experiences and developing a personal action plan to be implemented in the months ahead.

WHY TEAMBUILDING?

My reasons for recommending teambuilding to launch the OD effort at B&J's were threefold. First, it was crucial for managers to begin to think of themselves as managers and as members of a management team. Many of the managers at B&J's were truly supervisors, who worked alongside employees and focused only on the work going on in their own area of responsibility. To cope with growth, it was essential for them to begin to plan, set priorities, and coordinate efforts with one another. This meant they had to operate like real managers and become a management team.

Second, the managers would be assuming new responsibilities heretofore in the hands of the founders and general manager. I thought it important for them to see how much they had in common and how much affinity they had with the founders' vision of the enterprise. Teambuilding provides a good medium for self-disclosure and helps people to open up about who they are and what they believe in. The mind maps and skits were designed such that people could see how they were all in this together. Needless to say, lashing them together to search for an inner tube was a more literal translation of the message.

Finally, managers had to collectively commit to taking on new responsibilities and learn new methods for working together. The several exercises at the retreat were aimed at educating them in group management and problem-solving skills. The ropes course, in turn, emphasized the importance of personal courage and peer support in tackling the unknown. The managers left the retreat closer and charged up about running the show.

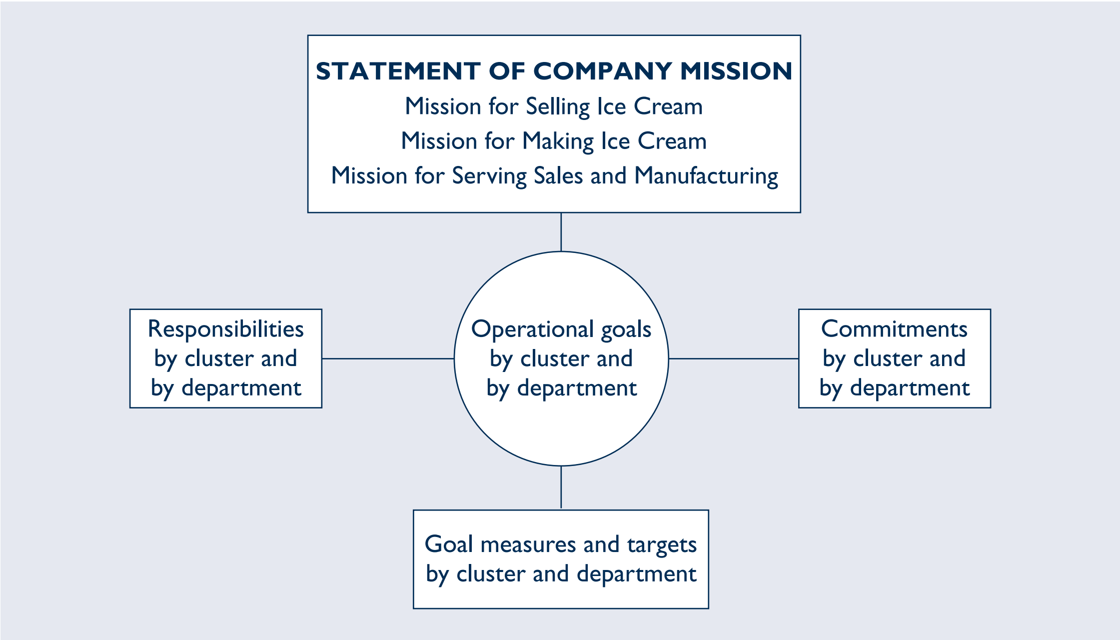
However, the rationale for beginning OD with teambuilding was rather traditional and conservative in character. Many OD proponents eschew the top-down approach to development and work simultaneously at many levels in a company. Work teams and worker-management committees are starting points for OD in many organizations. The aim is to get as many people as possible, as soon as possible, involved in organizational improvement. The risk with going company-wide with OD from the start is managerial resistance. Frankly, in this case, I didn't think managers were ready to respond to group problem-solving initiatives by their subordinates and teams. They were not conversant with techniques like brainstorming, force field analysis, and contingency planning—requisites for team leaders. Nor were they ready, in my judgment, to cede responsibility as they were just assuming more of it. Instead, my proposal was to go slow, get management organized and built into a team, and then push OD downward.

FOLLOW UP: GOALS AND RESPONSIBILITIES

This began months of teambuilding with the newly created management group (see Exhibit 3). Each working cluster was charged with developing a mission statement for its area of responsibility. The cluster groups met several times to translate these into operating goals. The manufacturing group, for example, focused on improving production capacity and quality. Managers from the freezer, production, distribution, and maintenance departments then analyzed work flow, identified their respective responsibilities, and made commitments to one another to maximize capacity and ensure quality standards. The marketing group, in turn, formed a steering committee to bring franchising and sales together and developed a system

[Exhibit 3]

Management Teambuilding Model for Clusters and Departments



to control competing pressures on the art department.

In turn, managers also met with their work groups to gather input and incorporate suggestions. In that way, at least, employees were kept abreast of developments and had a chance to be involved. A safety committee was created, staffed by managers and workers, to address a broad range of concerns throughout the plant and headquarters facility.

Several meetings were held to coordinate cluster goal setting. At one session, managers drew pictures illustrating the degree of alignment between functions and the overall vision of the company. One artist depicted the founders as the sun, the functions as orbiting planets, and the market as a streaking comet. Others used stick figures to show the company coming together, people cheering, and craziness all around.

What resulted from these sessions was a series of cluster goal statements, an action agenda for the next year focused on tasks and goals, and closer interpersonal and work relationships. Did teambuilding make a difference? Managers rated themselves as much more of a team and the functions say they are far more aligned:

Understanding of the Goals and Direction of Your Department?	
At the start of the process:	3.5 out of 10.0
At this point in the process:	7.5 out of 10.0

Relationship with Other Members of the Management Team?	
At the start of the process:	5.1 out of 10.0
At this point in the process:	7.5 out of 10.0

CROSS-TALK

Despite the progress in organizing management, the founders worried whether the funk and fun was being lost in all of this business. There was a heated debate between managers and the founders over growth. The

founders hoped to limit growth in order to keep the company small and people connected. Managers pointed out that existing marketing and franchise commitments would require growth and that B&J's simply could not stiff its customers. Back and forth the talk went. It seemed as though the managers had become something of a threat to the founders, who were having trouble letting go of promised authority.

Ben and Jerry then took the initiative to "lift up" the cluster goals into a unifying statement of the company's economic, product, and social mission. To air differences, the newly formed management team and founders then met to examine their differences. Before the meeting, Ben had said publicly that management "wasn't weird enough" and expressed worry that the company's social mission was being sacrificed to growth. The managers first chafed at his inference that they weren't interested in the social mission. Then they took his concerns to heart. Each member of the management team came to the meeting wearing a mask bearing the likeness of either Ben or Jerry and buttons saying "We are weird."

Together, managers and board members talked over issues of trust and relative powers with the founders, fleshed out how management and the board would work together, and made a pact that the company would remain committed to high quality production, good works, and fun.

Following the session, several actions were initiated to bring neglected aspects of the mission statement to life. A "Joy Committee" was established to ensure that spirit was kept alive in the company. It hosted lunches, sponsored social events, and launched several happenings throughout the company. Employees were encouraged to take a more active part in the Ben & Jerry's Foundation and contribute directly to charitable giving. Finally, a budget committee was created to formulate B&J's first one-year plan.

Questions

1. Team building is typically used in OD to loosen up an over-organized system that is too rigid and bureaucratic. In this case, team building was aimed at providing structure to an under-organized system. In doing a diagnosis, what factors are important to consider in determining whether a company or team is over- or under-organized? What are the implications for planning an OD intervention?
2. Is team building a good way to launch an OD effort in this case? Other approaches?
3. What next steps would you recommend?

SOURCE: Philip H. Mirvis, *Boston University.*

part 4

Technostructural Interventions

14

Restructuring Organizations

In this chapter, we begin to examine technostructural interventions—change programs focusing on the technology and structure of organizations. Increasing global competition and rapid technological and environmental changes are forcing organizations to restructure themselves from rigid bureaucracies to leaner, more flexible designs. These new forms of organizing are highly adaptive and innovative, but require more sophisticated managerial capabilities to operate successfully. They often result in fewer managers and employees and in streamlined work flows that break down functional barriers.

Interventions aimed at structural design include moving from more traditional ways of dividing the organization's overall work, such as functional, divisional, and matrix structures, to more integrative and flexible forms, such as process, customer-centric, and network structures. Diagnostic guidelines help determine which structure is appropriate for particular organizational environments, technologies, and conditions.

Downsizing seeks to reduce costs and bureaucracy by decreasing the size of the organization. This reduction in personnel can be accomplished through layoffs, organization redesign, and outsourcing, which involves moving functions that are not part of the organization's core competence to outside contractors. Successful downsizing is closely aligned with the organization's strategy.

Reengineering radically redesigns the organization's core work processes to give tighter linkage and coordination among the different tasks. This work-flow integration results in faster, more responsive task performance. Reengineering often is accomplished with new information technology that permits employees to control and coordinate work processes more effectively.

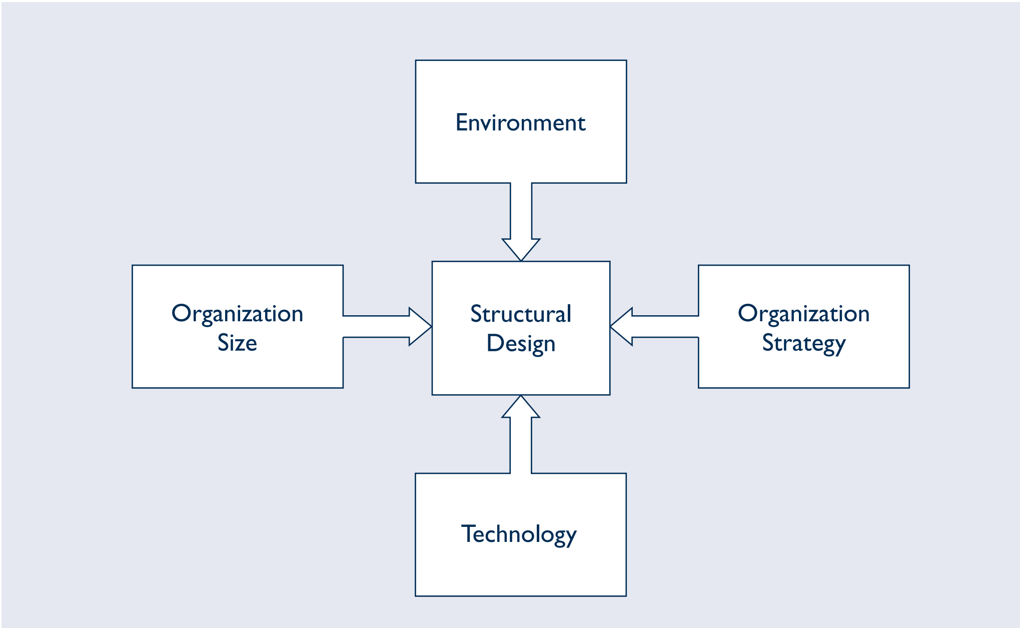
STRUCTURAL DESIGN

Organization structure describes how the overall work of the organization is divided into subunits and how these subunits are coordinated for task completion. Based on a contingency perspective shown in Figure 14.1, organization structures should be designed to fit with at least four factors: the environment, organization size, technology, and organization strategy. Organization effectiveness depends on the extent to which its structures are responsive to these contingencies.[1]

Organizations traditionally have structured themselves into one of three forms: functional departments that are task specialized; self-contained divisional units that are oriented to specific products, customers, or regions; or matrix structures that combine both functional specialization and self-containment. Faced with accelerating changes in competitive environments and technologies, however, organizations increasingly have redesigned their structures into more integrative and flexible forms. These more recent innovations include process structures that design subunits around the organization's

[Figure 14.1]

Contingencies Influencing Structural Design



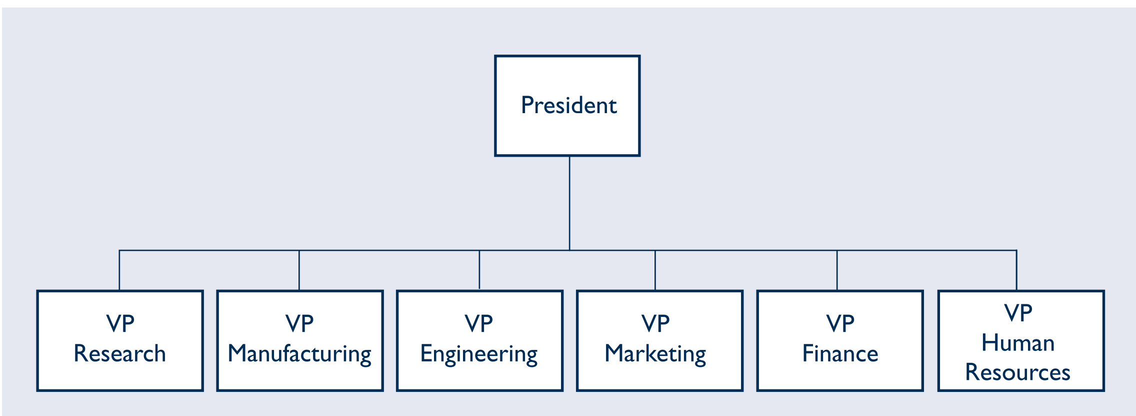
core work processes, customer-centric structures that focus attention and resources on specific customers or customer segments, and network-based structures that link the organization to other, interdependent organizations. The advantages, disadvantages, and contingencies of the different structures are described below.

The Functional Structure

The most widely used organizational structure in the world today is the basic *functional structure*, depicted in Figure 14.2. The organization usually is divided into functional units, such as marketing, operations, research and development, human resources, and finance. This structure is based on early management theories regarding specialization,

[Figure 14.2]

The Functional Organization



line and staff relations, span of control, authority, and responsibility.[2] The major functional units are staffed by specialists from such disciplines as engineering and accounting. It is considered easier to manage specialists if they are grouped together under the same head and if the head of the department has been trained and has experience in that particular discipline.

Table 14.1 lists the advantages and disadvantages of functional structures. On the positive side, functional structures promote specialization of skills and resources by grouping people who perform similar work and face similar problems. This grouping facilitates communication within departments and allows specialists to share their expertise. It also enhances career development within the specialty, whether it be accounting, finance, engineering, or sales. The functional structure reduces duplication of services because it makes the best use of people and resources.

On the negative side, functional structures tend to promote routine tasks with a limited orientation. Department members focus on their own tasks, rather than on the organization's total task. This can lead to conflict across functional departments when each group tries to maximize its own performance without considering the performances of other units. Coordination and scheduling among departments can be difficult when each emphasizes its own perspective. As shown in Table 14.1, the functional structure tends to work best in small- to medium-size firms in environments that are relatively stable and certain. These organizations typically have a small number of products or services, and coordination across specialized units is relatively easy. This structure also is best suited to routine technologies in which there is interdependence within functions, and to organizational goals emphasizing efficiency and technical quality.

[Table 14.1]

Advantages, Disadvantages, and Contingencies of the Functional Form

ADVANTAGES
- Promotes skill specialization
- Reduces duplication of scarce resources and uses resources full time
- Enhances career development for specialists within large departments
- Facilitates communication and performance because superiors share expertise with their subordinates
- Exposes specialists to others within the same specialty

DISADVANTAGES
- Emphasizes routine tasks, which encourages short time horizons
- Fosters parochial perspectives by managers, which limit their capabilities for top-management positions
- Reduces communication and cooperation between departments
- Multiplies the interdepartmental dependencies, which can make coordination and scheduling difficult
- Obscures accountability for overall outcomes

CONTINGENCIES
- Stable and certain environment
- Small to medium size
- Routine technology, interdependence within functions
- Goals of efficiency and technical quality

SOURCE: Adapted by permission of the publisher from J. McCann and J. R. Galbraith, "Interdepartmental Relations," in *Handbook of Organizational Design: Remodeling Organizations and Their Environment*, eds. P. C. Nystrom and W. H. Starbuck, vol. 2 (New York: Oxford University Press, 1981), p. 61.

The Divisional Structure

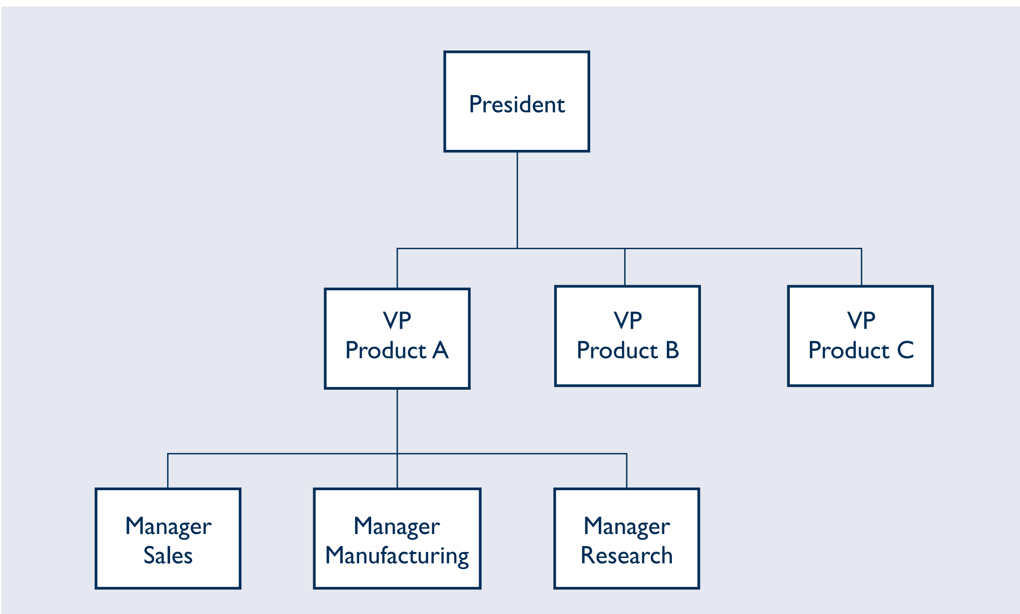
The *divisional structure* represents a fundamentally different way of organizing. Also known as a product or self-contained-unit structure, it was developed at about the same time by General Motors, Sears, Standard Oil of New Jersey (now ExxonMobil), and DuPont.[3] It groups organizational activities on the basis of products, services, customers, or geography. All or most of the resources and functions necessary to accomplish a specific objective are set up as a division headed by a product or division manager. For example, General Electric has plants that specialize in making jet engines and others that produce household appliances. Each plant manager reports to a particular division or product vice president, rather than to a manufacturing vice president. In effect, a large organization may set up smaller (sometimes temporary) special-purpose organizations, each geared to a specific product, service, customer, or region. A typical division structure is shown in Figure 14.3. It is interesting to note that the formal structure within a self-contained unit often is functional in nature.

Table 14.2 lists the advantages and disadvantages of divisional structures. These organizations recognize key interdependencies and coordinate resources toward an overall outcome. This strong outcome orientation ensures departmental accountability and promotes cohesion among those contributing to the product. These structures provide employees with opportunities for learning new skills and expanding knowledge because workers can move more easily among the different specialties contributing to the product. As a result, divisional structures are well suited for developing general managers.

Divisional structures do have certain problems. They may not have enough specialized work to use people's skills and abilities fully. Specialists may feel isolated from their professional colleagues and may fail to advance in their career specialty. The structures may promote allegiance to department rather than organization objectives. They also place multiple demands on people, thereby creating stress.

[Figure 14.3]

The Divisional Organization



[Table 14.2]

Advantages, Disadvantages, and Contingencies of the Divisional Form

ADVANTAGES
- Recognizes sources of interdepartmental dependencies
- Fosters an orientation toward overall outcomes and clients
- Allows diversification and expansion of skills and training
- Ensures accountability by departmental managers and so promotes delegation of authority and responsibility
- Heightens departmental cohesion and involvement in work

DISADVANTAGES
- May use skills and resources inefficiently
- Limits career advancement by specialists to movements out of their departments
- Impedes specialists' exposure to others within the same specialties
- Puts multiple-role demands on people and so creates stress
- May promote departmental objectives, as opposed to overall organizational objectives

CONTINGENCIES
- Unstable and uncertain environments
- Large size
- Technological interdependence across functions
- Goals of product specialization and innovation

SOURCE: Adapted by permission of the publisher from J. McCann and J. R. Galbraith, "Interdepartmental Relations," in *Handbook of Organizational Design: Remodeling Organizations and Their Environment*, eds. P. C. Nystrom and W. H. Starbuck, vol. 2 (New York: Oxford University Press, 1981), p. 61.

The divisional structure works best in conditions almost the opposite of those favoring a functional organization, as shown in Table 14.2. The organization needs to be relatively large to support the duplication of resources assigned to the units. Because each unit is designed to fit a particular niche, the structure adapts well to uncertain conditions. Divisional units also help to coordinate technical interdependencies falling across functions and are suited to goals promoting product or service specialization and innovation.

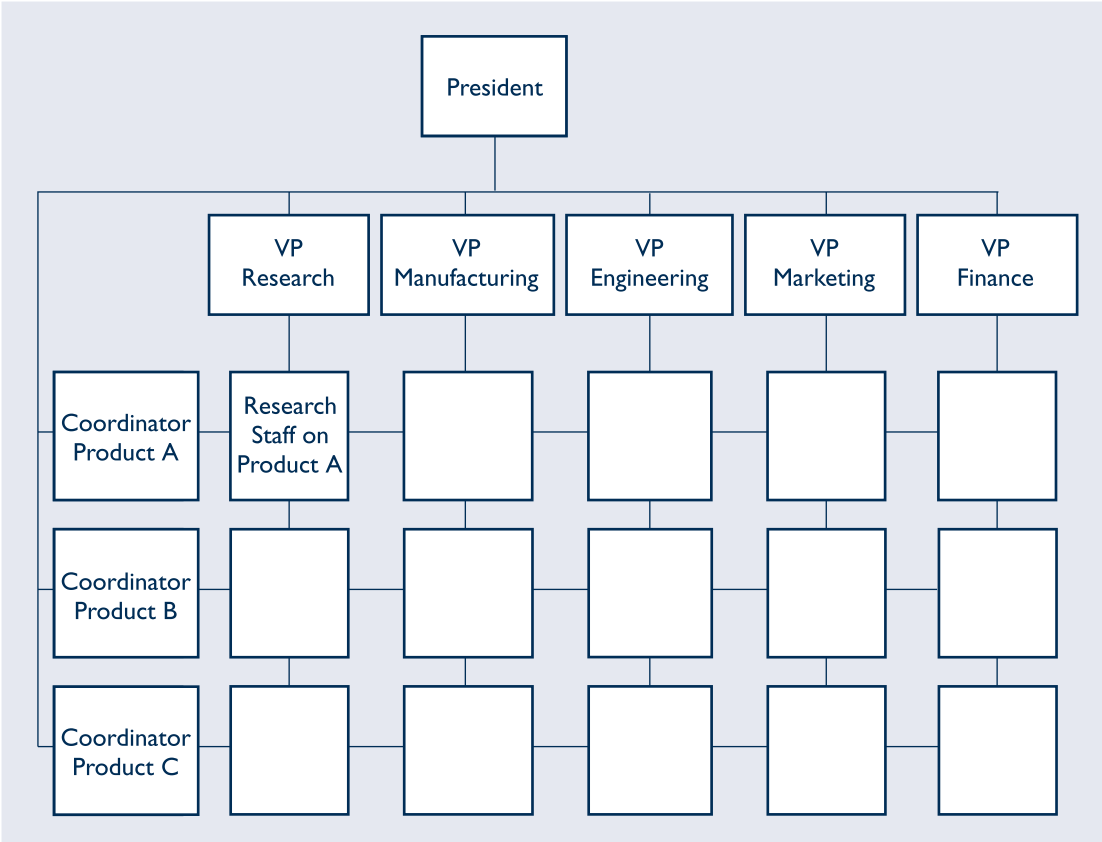
The Matrix Structure

Some OD practitioners have focused on maximizing the strengths and minimizing the weaknesses of both the functional and the divisional structures, and this effort has resulted in the *matrix structure*.[4] It superimposes a lateral structure that focuses on product or project coordination on a vertical functional structure, as shown in Figure 14.4. Matrix organization designs originally evolved in the aerospace industry where changing customer demands and technological conditions caused managers to focus on lateral relationships between functions to develop a flexible and adaptable system of resources and procedures, and to achieve a series of project objectives. Matrix structures now are used widely in manufacturing, service, nonprofit, governmental, and professional organizations.[5]

Every matrix organization contains three unique and critical roles: the top manager, who heads and balances the dual chains of command; the matrix bosses (functional, product, or area), who share subordinates; and the "two-boss" managers, who report to two different matrix leaders. Each of these roles has its own unique requirements. For

[Figure 14.4]

The Matrix Organization



example, functional matrix leaders are expected to maximize their respective technical expertise within constraints posed by market realities. Two-boss managers, however, must accomplish work within the demands of supervisors who want to achieve technical sophistication on the one hand, and to meet customer expectations on the other. Thus, a matrix organization has more than its matrix structure. It also must be reinforced by matrix processes, such as performance management systems that get input from both functional and project bosses, by matrix leadership behavior that operates comfortably with lateral decision making, and by a matrix culture that fosters open conflict management and a balance of power.[6]

Matrix organizations, like all organization structures, have both advantages and disadvantages, as shown in Table 14.3. On the positive side, this structure allows multiple orientations. Specialized, functional knowledge can be applied to all projects. New products or projects can be implemented quickly by using people flexibly and by moving between product and functional orientations as circumstances demand. Matrix structures can maintain consistency among departments and projects by requiring communication among managers. For many people, matrix structures are motivating and exciting.

On the negative side, these organizations can be difficult to manage. To implement and maintain them requires heavy managerial costs and support. When people are assigned to more than one department, there may be role ambiguity and conflict, and overall performance may be sacrificed if there are power conflicts between functional

[Table 14.3]

Advantages, Disadvantages, and Contingencies of the Matrix Form

ADVANTAGES

- Makes specialized, functional knowledge available to all projects
- Uses people flexibly, because departments maintain reservoirs of specialists
- Maintains consistency between different departments and projects by forcing communication between managers
- Recognizes and provides mechanisms for dealing with legitimate, multiple sources of power in the organization
- Can adapt to environmental changes by shifting emphasis between project and functional aspects

DISADVANTAGES

- Can be very difficult to introduce without a preexisting supportive management climate
- Increases role ambiguity, stress, and anxiety by assigning people to more than one department
- Without power balancing between product and functional forms, lowers overall performance
- Makes inconsistent demands, which may result in unproductive conflicts and short-term crisis management
- May reward political skills as opposed to technical skills

CONTINGENCIES

- Dual focus on unique product demands and technical specialization
- Pressure for high information-processing capacity
- Pressure for shared resources

SOURCE: Adapted by permission of the publisher from J. McCann and J. R. Galbraith, "Interdepartmental Relations," in *Handbook of Organizational Design: Remodeling Organizations and Their Environment*, eds. P. C. Nystrom and W. H. Starbuck, vol. 2 (New York: Oxford University Press, 1981), p. 61.

departments and project structures. To make matrix structures work, organization members need interpersonal and conflict management skills. People can get confused about how the matrix works, and that can lead to chaos and inefficiencies.

As shown in Table 14.3, matrix structures are appropriate under three important conditions.[7] First, there must be real outside pressures for a dual focus. For example, a matrix structure works well when there are many customers with unique demands on the one hand and strong requirements for technical sophistication on the other. The OD practitioner must work with the client system to determine whether there is real pressure for a dual focus. Managers often agree, without carefully testing the assumption, that both are important. Second, a matrix organization is appropriate when the organization must process a large amount of information. Circumstances requiring such capacity are few and include the following: when external environmental demands change unpredictably; when the organization produces a broad range of products or services, or offers those outputs to a large number of different markets; when the relevant technologies evolve quickly; and when there is reciprocal interdependence among the tasks in the organization's technical core. In each case, there is considerable complexity in decision making and pressure on communication and coordination systems. Third, and finally, there must be pressures for shared resources. When customer demands vary greatly and technological requirements are strict, valuable human and physical resources are likely to be scarce. The matrix works well under

those conditions because it facilitates the sharing of scarce resources. If any one of the foregoing conditions is not met, a matrix organization is likely to fail.

The Process Structure

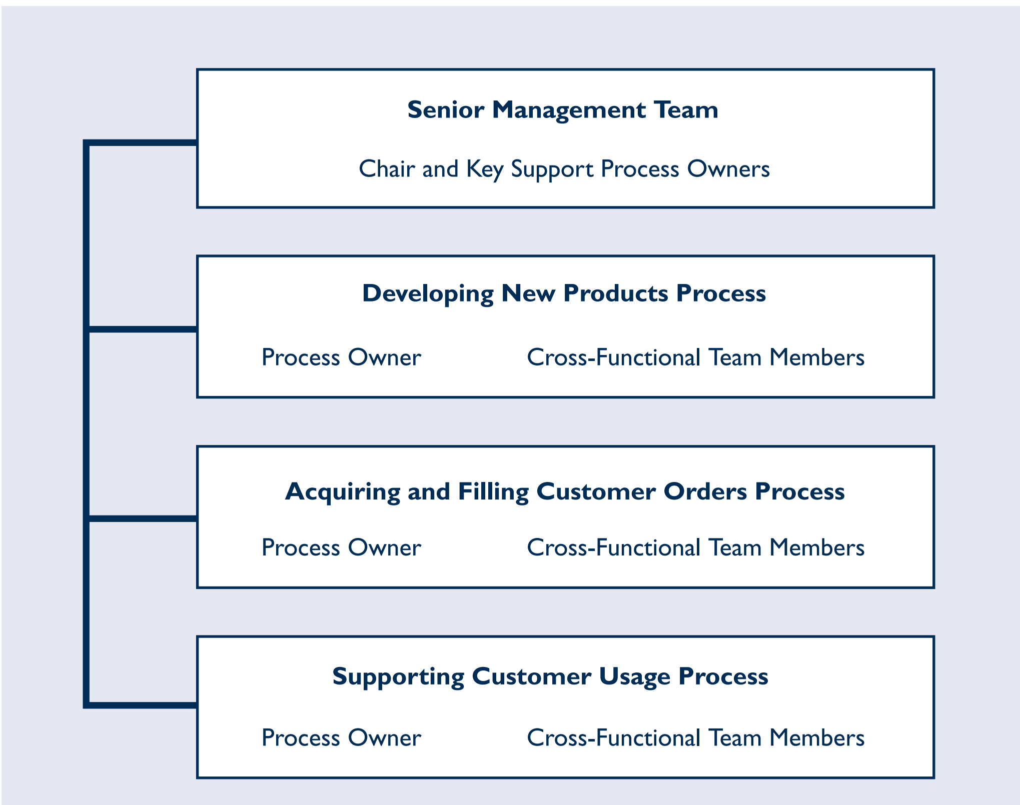
A radically new logic for structuring organizations is to form multidisciplinary teams around core processes, such as product development, order fulfillment, sales generation, and customer support.[8] As shown in Figure 14.5, *process-based structures* emphasize lateral rather than vertical relationships.[9] All functions necessary to produce a product or service are placed in a common unit usually managed by a role labeled a "process owner." There are few hierarchical levels, and the senior executive team is relatively small, typically consisting of the chair, the chief operating officer, and the heads of a few key support services such as strategic planning, human resources, and finance.

Process structures eliminate many of the hierarchical and departmental boundaries that can impede task coordination and slow decision making and task performance. They reduce the enormous costs of managing across departments and up and down the hierarchy. Process-based structures enable organizations to focus most of their resources on serving customers, both inside and outside the firm.

The use of process-based structures is growing rapidly in a variety of manufacturing and service companies. Typically referred to as "horizontal," "boundaryless," or "team-based" organizations, they are used to enhance customer service at such firms as American Express Financial Advisors, Healthways, Johnson & Johnson, 3M, Xerox, and

[Figure 14.5]

The Process-Based Structure



General Electric Capital Services. Although there is no one right way to design process-based structures, the following features characterize this new form of organizing:[10]

- **Processes drive structure.** Process-based structures are organized around the three to five key processes that define the work of the organization. Rather than products or functions, processes define the structure and are governed by a "process owner." Each process has clear performance goals that drive task execution.
- **Work adds value.** To increase efficiency, process-based structures simplify and enrich work processes. Work is simplified by eliminating nonessential tasks and reducing layers of management, and it is enriched by combining tasks so that teams perform whole processes.
- **Teams are fundamental.** Teams are the key organizing feature in a process-based structure. They manage everything from task execution to strategic planning, are typically self-managing, and are responsible for goal achievement.
- **Customers define performance.** The primary goal of any team in a process-based structure is customer satisfaction. Defining customer expectations and designing team functions to meet those expectations command much of the team's attention. The organization must value this orientation as the primary path to financial performance.
- **Teams are rewarded for performance.** Appraisal systems focus on measuring team performance against customer satisfaction and other goals, and then provide real recognition for achievement. Team-based rewards are given as much, if not more, weight than is individual recognition.
- **Teams are tightly linked to suppliers and customers.** Through designated members, teams have timely and direct relationships with vendors and customers to understand and respond to emerging concerns.
- **Team members are well informed and trained.** Successful implementation of a process-based structure requires team members who can work with a broad range of information, including customer and market data, financial information, and personnel and policy matters. Team members also need problem-solving and decision-making skills and abilities to address and implement solutions.

Table 14.4 lists the advantages and disadvantages of process-based structures. The most frequently mentioned advantage is intense focus on meeting customer needs, which can result in dramatic improvements in speed, efficiency, and customer satisfaction. Process-based structures remove layers of management, and consequently information flows more quickly and accurately throughout the organization. Because process teams comprise different functional specialties, boundaries between departments are removed, thus affording organization members a broad view of the work flow and a clear line of sight between team performance and organization effectiveness. Process-based structures also are more flexible and adaptable to change than are traditional structures.

A major disadvantage of process structures is the difficulty of changing to this new organizational form. These structures typically require radical shifts in mindsets, skills, and managerial roles—changes that involve considerable time and resources and can be resisted by functional managers and staff specialists. Moreover, process-based structures may result in expensive duplication of scarce resources and, if teams are not skilled adequately, in slower decision making as they struggle to define and reach consensus. Finally, implementing process-based structures relies on properly identifying key processes needed to satisfy customer needs. If critical processes are misidentified or ignored altogether, performance and customer satisfaction are likely to suffer.

Table 14.4 shows that process structures are particularly appropriate for highly uncertain environments where customer demands and market conditions are

[Table 14.4]

Advantages, Disadvantages, and Contingencies of the Process-Based Form

ADVANTAGES
- Focuses resources on customer satisfaction
- Improves speed and efficiency, often dramatically
- Adapts to environmental change rapidly
- Reduces boundaries between departments
- Increases ability to see total work flow
- Enhances employee involvement
- Lowers costs because of less overhead structure

DISADVANTAGES
- Can threaten middle managers and staff specialists
- Requires changes in command-and-control mindsets
- Duplicates scarce resources
- Requires new skills and knowledge to manage lateral relationships and teams
- May take longer to make decisions in teams
- Can be ineffective if wrong processes are identified

CONTINGENCIES
- Uncertain and changing environments
- Moderate to large size
- Nonroutine and highly interdependent technologies
- Customer-oriented goals

changing rapidly. They enable organizations to manage nonroutine technologies and coordinate work flows that are highly interdependent. Process-based structures generally appear in medium- to large-size organizations having several products or projects. They focus heavily on customer-oriented goals and are found in both domestic and global organizations.

Application 14.1 describes the process-based structure proposed as part of the structural change process at Healthways Corporation.

The Customer-Centric Structure

Closely related to the process-based structure, the *customer-centric structure* focuses subunits on the creation of solutions and the satisfaction of key customers or customer groups.[11] As shown in Figure 14.7, these customer or market-facing units are supported by other units that develop new products, manufacture components and products, and manage the supply chain. A variety of organizations, including the Lord Corporation, DOW, IBM, and Citibank, have implemented these complex structures. Also known as front–back organizations, these structures excel at putting customer needs at the top of an organization's agenda.

Galbraith notes that globalization, e-commerce, and the desire for solutions has greatly enhanced the power of the customer to demand organizational structures that service their needs. These new structures highlight the radical differences between product-focused organizations, like the function or divisional strucure, and customer-centric organizations. As shown in Table 14.5, there are four key differences.

In a product-centric organization, the goal is to provide customers with the best product possible and to create value by developing new products and innovative features. In a customer-centric structure, the organization develops the best solution for the customer by offering a customized bundle of products, services, support, and education.

application 14.1

Healthways' Process Structure

Healthways Corporation (HC) (http://www.healthways.com) is a provider of specialized disease management services to health plans and hospitals. In fiscal year 2002, HC had revenues of $122 million. The company, founded in 1981 as American Healthcorp (AMHC), originally owned and managed hospitals. In 1984 it offered its first disease management service focused on diabetes. Under the name Diabetes Treatment Centers of America, it worked with hospitals to create "centers of excellence" to improve hospital volumes and lower costs. After going public in 1991, it offered in 1993 its first diabetes management program to health plans—an entirely new customer segment. This shift in customer base was a key event in the company's history, and two new disease management programs for cardiac and respiratory diseases were offered in 1998 and 1999, respectively. By 2000, hospital revenues, once 100% of the company's mix, had dropped to 38% as the health plan business grew.

The organization recognized that its current structure would not support the expected growth. As part of their structural change effort, the initial organization design and development task force (the ODD group) recommended a process-based organization structure to the senior leadership group. The organization was described in terms of five core processes: understand the market and plan the business, acquire and retain customers, build value solutions, deliver solutions and add value, and manage the business (Figure 14.6).

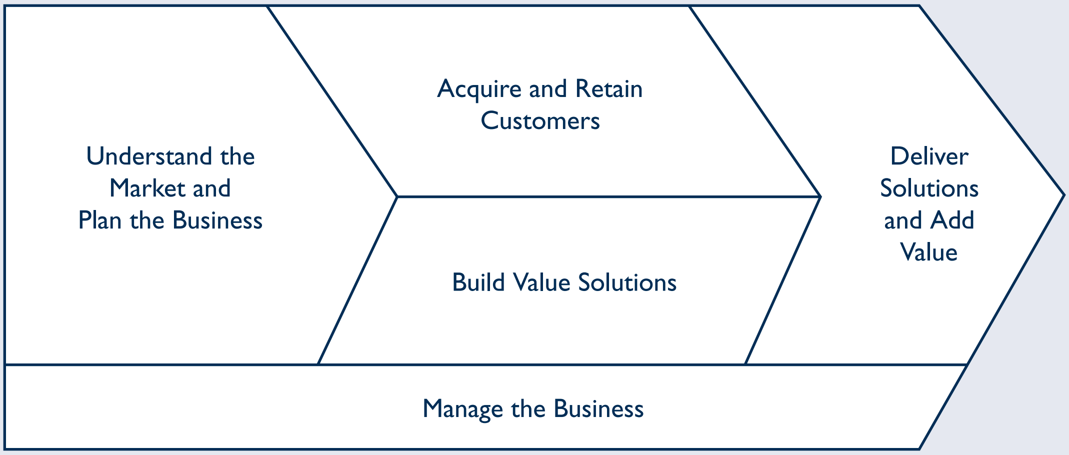
- The *understand-the-market process* was responsible for scanning AMHC's external environment for business opportunities, trends, regulatory changes, and competitive intelligence. The process was also responsible for generating new product ideas, based on their environmental scanning activities, and for developing and driving the strategic planning process of the organization.
- Based on the outputs of the understand-the-market process, the *build-value-solutions process* was responsible for translating business or product opportunities into reproducible products. This organization was responsible for more fully developing the business case initially identified by the understand-the-market process, developing performance metrics, product development and testing, and the development of marketing materials.
- The *acquire-and-retain-customers process* involved the sales and marketing organization. It was responsible for finalizing marketing materials, identifying new customers, selling and signing contracts, developing relationships with key stakeholders, implementing marketing plans, and responding to requests for proposals.
- The *deliver-solutions-and-add-value process* was responsible for delivering on contractual commitments, account management and upselling, maintaining product integrity, and building delivery capacity.
- In the *manage-the-business process*, the small corporate headquarters staff was responsible for human resources, financial governance, information technology standards, medical leadership, and corporate image and branding. It was to act as a shared services organization supporting the value-adding process organizations.

Each process was to be staffed with an appropriate mix of functional experts. That is, the operational basis of the new organization was a cross-functional team that could represent the different perspectives at each stage of the business. For example, the acquire-and-retain-customers process included not only sales and marketing expertise, but functional expertise in account management, information technology, finance, medical and clinical specialties, and product development. In recommending that a core process be staffed with the appropriate mix of functional expertise, the task force was also suggesting that the structure within a core process be team based. That is, the acquire-and-retain-customers process could flexibly organize cross-functional teams to address a specific customer's requirements and then recombine resources to pursue a different customer.

In addition, appropriate metrics for monitoring the effectiveness of each process as well as the relationships between any two processes in the organization were specified. In terms of effectiveness metrics, the key outcome for all processes was customer satisfaction. That is, the acquire-customer process was judged primarily on the extent to which it acquired customers and contracts that the deliver-solutions group

[Figure 14.6]

HC's Proposed Process Organization



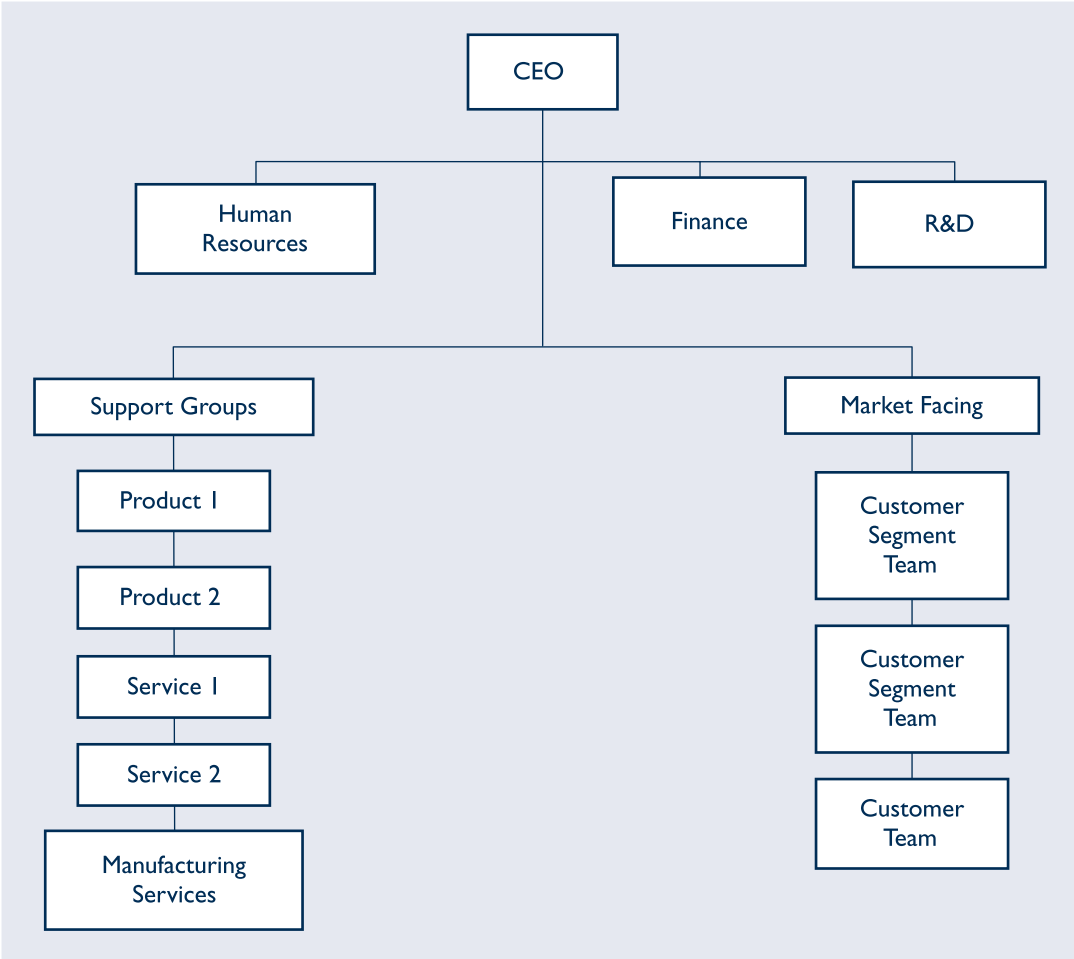
believed could be managed. In terms of relationships, any new business opportunities identified by the understand-the-market process required certain approvals by senior management before being handed off to the build-value-solutions process. This "go-no go" decision assured that the organization had sufficient investment resources to fund new business or product development and that good opportunities, not just a lot of opportunities, were being forwarded to the build-value-solutions process.

Product-centric structures have core structural features that include product groups and teams that are measured by product margins. The most central process is, of course, new product development. Customer-centric structures have a very different look and feel. Their core structures focus attention and resources on customers with market-facing units organized around large individual customers or customer segment teams that attempt to maximize customer profit and loss. These core units are supported by sophisticated customer relationship management processes and processes that link the market-facing units with the support units. While any one of these differences may seem obvious, a careful look will show that the product-centric dimensions represent important and deeply rooted assumptions in most organizations. Deciding to execute a customer-centric organization is a substantial undertaking.

As shown in Table 14.6, customer-centric structures have important strengths and weaknesses. Customer-centric structures present one face to the customer. Divisional structures, for example, can confuse customers when each division sends their own sales team. When one team is dedicated to a customer or customer group, they develop

[Figure 14.7]

The Customer Centric Organization



[Table 14.5]

Comparing Product-Centric With Customer-Centric Organizations

ORGANIZATIONAL FEATURE	PRODUCT-CENTRIC	CUSTOMER-CENTRIC
Goal	Best product for customer	Best solution for customer
Source of Value	New products, new features	Customized bundles of products, services, support, education and consulting
Core structures	Product teams, product reviews, product profit centers	Customer teams and segments, customer P&Ls
Core processes	New product process	Customer relationship management processes and integration/solutions

SOURCE: Adapted from J. Galbraith, *Designing the Customer-centric Organization* (San Francisco: Jossey-Bass, 2005).

[Table 14.6]

Advantages, Disadvantages, and Contingencies of the Customer-Centric Form

ADVANTAGES
- Presents one integrated face to the customer
- Generates a deep understanding of customer requirements
- Enables organization to customize and tailor solutions for customers
- Builds a robust customer response capability

DISADVANTAGES
- Customer teams can be too inwardly focused
- Sharing learnings and developing functional skills is difficult
- Managing lateral relations between customer-facing and back office units is difficult
- Developing common processes in the front and back is problematic
- Clarifying the marketing function is problematic

CONTINGENCIES
- Highly complex and uncertain environments
- Large organizations
- Goals of customer focus and solutions orientation
- Highly uncertain technologies

a deep understanding of the customer's needs, preferences, and industry trends. This deep understanding results in another strength. The customer-centric structure supports the customization of solutions and so helps to build a robust customer satisfaction capability.

In terms of weaknesses, the customer teams can become too inwardly focused and lose sight of the larger organizational strategy. This can make it difficult to share learnings from successful innovation or customization with the rest of the organization. One of the most important weaknesses of the customer-centric organization is its reliance on lateral mechanisms and relationships. To be effective, a customer-centric organization must have strong lateral capabilities, including information systems, capital allocation processes, resource prioritization systems, and the like, to integrate the front and back end of the organization. Few organizations have developed this capability. Finally, customer-centric organizations must decide where to put the marketing function. Should marketing be done by the "front" or "back" of the organization? This is a question not easily answered.

Customer-centric organizations work best in large organizations, where there are strong and powerful customer forces in the industry and where technology and market changes are highly complex and uncertain. In addition, as noted above, the organization has to have a certain amount of maturity. It is unlikely that an organization can successfully implement a customer-centric structure without a strong lateral capability.

The Network Structure

A *network structure* manages the diverse, complex, and dynamic relationships among multiple organizations or units, each specializing in a particular business function or task.[12] Organizations that utilize network structures include shamrock organizations and virtual, modular, or cellular corporations.[13] Less formally, they have been described as "pizza" structures, spiderwebs, starbursts, and cluster organizations. Some of this

confusion over the definition of a network was clarified by a typology describing four basic types of networks.[14]

- An *internal market network* exists when a single organization establishes each subunit as an independent profit center that is allowed to trade in services and resources with each other as well as with the external market. Asea Brown Boveri's (ABB) 50 worldwide businesses consist of 1,200 companies organized into 4,500 profit centers that conduct business with each other.
- A *vertical market network* is composed of multiple organizations linked to a focal organization that coordinates the movement of resources from raw materials to end consumer. Nike, for example, has its shoes manufactured in different plants around the world and then organizes their distribution through retail outlets.
- An *intermarket network* represents alliances among a variety of organizations in different markets and is exemplified by the Japanese *keiretsu*, the Korean *chaebol*, and the Mexican *grupos*.
- An *opportunity network* is the most advanced form of network structure. It is a temporary constellation of organizations brought together to pursue a single purpose. Once accomplished, the network disbands. Li and Fung is a Hong Kong–based trading company that pulls together a variety of specialist supplier organizations to design and manufacture a wide range of private-label clothing.

These types of networks can be distinguished from one another in terms of whether they are single or multiple organizations, single or multiple industries, and stable or temporary.[15] For example, an internal market network is a stable, single-organization, single-industry structure; an opportunity network is a temporary, multiple-organization structure that can span several different industries.

As shown in Figure 14.8, the network structure redraws organizational boundaries and links separate business units to facilitate task interaction. The essence of networks is the relationships among organizations that perform different aspects of work. In this way, organizations do the things that they do well; for example, manufacturing expertise is applied to production, and logistical expertise is applied to distribution. Network

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organizations use strategic alliances, joint ventures, research and development consortia, licensing agreements, and wholly owned subsidiaries to design, manufacture, and market advanced products, enter new international markets, and develop new technologies. Companies such as Apple Computer, Benetton, Sun Microsystems, Liz Claiborne, Nike, and Merck have implemented fairly sophisticated vertical market and intermarket network structures. Opportunity networks also are commonplace in the construction, fashion, and entertainment industries, as well as in the public sector.[16]

Network structures typically have the following characteristics:

- **Vertical disaggregation.** This refers to the breaking up of the organization's business functions, such as production, marketing, and distribution, into separate organizations performing specialized work. In the film industry, for example, separate organizations providing transportation, cinematography, special effects, set design, music, actors, and catering all work together under a broker organization, the studio. The particular organizations making up the opportunity network represent an important factor in determining its success.[17] More recently, disintermediation, or the replacement of whole steps in the value chain by information technology—specifically the Internet—has fueled the development and numbers of network structures.
- **Brokers.** Networks often are managed by broker organizations or "process orchestrators" that locate and assemble member organizations. The broker may play a central role and subcontract for needed products or services, or it may specialize in linking equal partners into a network. In the construction industry, the general contractor typically assembles and manages drywall, mechanical, electrical, plumbing, and other specialties to erect a building.
- **Coordinating mechanisms.** Network organizations generally are not controlled by hierarchical arrangements or plans. Rather, coordination of the work in a network falls into three categories: informal relationships, contracts, and market mechanisms. First, coordination patterns can depend heavily on interpersonal relationships among individuals who have a well-developed partnership. Conflicts are resolved through reciprocity; network members recognize that each likely will have to compromise at some point. Trust is built and nurtured over time by these reciprocal arrangements. Second, coordination can be achieved through formal contracts, such as ownership control, licensing arrangements, or purchase agreements. Finally, market mechanisms, such as spot payments, performance accountability, technology standards, and information systems, ensure that all parties are aware of each other's activities and can communicate with each other.

Network structures have a number of advantages and disadvantages, as shown in Table 14.7.[18] They are highly flexible and adaptable to changing conditions. The ability to form partnerships with different organizations permits the creation of a "best-of-the-best" company to exploit opportunities, often global in nature. They enable each member to exploit its distinctive competence. They can accumulate and apply sufficient resources and expertise to large, complex tasks that single organizations cannot perform. Perhaps most important, network organizations can have synergistic effects whereby members build on each other's strengths and competencies, creating a whole that exceeds the sum of its parts.

The major problems with network organizations are in managing such complex structures. Galbraith and Kazanjian describe network structures as matrix organizations extending beyond the boundaries of single firms but lacking the ability to appeal to a higher authority to resolve conflicts.[19] Thus, matrix skills of managing lateral relations across organizational boundaries are critical to administering network structures. Most organizations, because they are managed hierarchically, can be expected to have difficulties managing lateral relations. Other disadvantages of network organizations

[Table 14.7]

Advantages, Disadvantages, and Contingencies of the Network-Based Form

ADVANTAGES
- Enables highly flexible and adaptive response to dynamic environments
- Creates a "best-of-the-best" organization to focus resources on customer and market needs
- Enables each organization to leverage a distinctive competency
- Permits rapid global expansion
- Can produce synergistic results

DISADVANTAGES
- Managing lateral relations across autonomous organizations is difficult
- Motivating members to relinquish autonomy to join the network is troublesome
- Sustaining membership and benefits can be problematic
- May give partners access to proprietary knowledge/technology

CONTINGENCIES
- Highly complex and uncertain environments
- Organizations of all sizes
- Goals of organizational specialization and innovation
- Highly uncertain technologies

include the difficulties of motivating organizations to join such structures and of sustaining commitment over time. Potential members may not want to give up their autonomy to link with other organizations and, once linked, they may have problems sustaining the benefits of joining together. This is especially true if the network consists of organizations that are not the "best of breed." Finally, joining a network may expose the organization's proprietary knowledge and skills to others.

As shown in Table 14.7, network organizations are best suited to highly complex and uncertain environments where multiple competencies and flexible responses are needed. They seem to apply to organizations of all sizes, and they deal with complex tasks or problems involving high interdependencies across organizations. Network structures fit with goals that emphasize organization specialization and innovation.

Application 14.2 describes how Amazon.com's network structure was configured to align with its strategy and how relationships are managed.[20]

DOWNSIZING

Downsizing refers to interventions aimed at reducing the size of the organization.[21] This typically is accomplished by decreasing the number of employees through layoffs, attrition, redeployment, or early retirement or by reducing the number of organizational units or managerial levels through divestiture, outsourcing, reorganization, or delayering. In practice, downsizing generally involves layoffs where a certain number or class of organization members is no longer employed by the organization. Although traditionally associated with lower-level workers, downsizing increasingly has claimed the jobs of staff specialists, middle managers, and senior executives.

An important consequence of downsizing has been the rise of the contingent workforce. In companies like Cisco or Motorola, less expensive temporary or permanent part-time workers often are hired by the same organizations that just laid off thousands of employees. A study by the American Management Association found that nearly a

Amazon.com's Network Structure

Amazon.com (http://www.amazon.com) was launched in mid-1995 as the "Earth's Biggest Bookstore." It offered more than one million titles to online buyers, more than three times the number offered at traditional bookstores. Since then, it has evolved into a powerful network structure involving both other Internet retailers as well as more traditional retailers, including other bookstores. At the center of it all is Amazon's massive Web site, Amazon.com. By pairing Amazon's state-of-the-art technology, built-in traffic, and industry-leading fulfillment and customer service processes with its partners' products and their own strengths, a complex network of organizations is working together to make everyone more successful.

The company went public in the first quarter of 1997 riding the dot.com wave, and revenues have grown from $147.8 million in 1997 to over $3.93 billion in fiscal year 2002. Sales increased 26% over fiscal year 2001. Despite this impressive sales growth, there was increasing pressure to deliver profits, which occurred for the first time in fiscal year 2002. From at least one point of view, the development of Amazon's network structure is an important reason.

From the beginning, Amazon has operated as a virtual organization and leveraged the network structure. For example, it developed and operated its Amazon.com Web site to draw in customers and learn about creating an effective online customer experience. But the company owned little or no inventory, warehouses, distribution centers, or customer service operations. Early on, order fulfillment was left to Ingram Book Distributors, one of the largest book wholesalers, who also contracted out delivery to third-party vendors, such as UPS.

In June of 1998, Amazon began selling CDs, and added DVDs and videos in November 1998. It added electronic products, toys, software, and video games in 1999, and tools, health and beauty products, kitchen products, and photo services in 2000. It has also expanded internationally, opening up the UK and German markets in 1999 and in Japan and France in 2000. Amazon's first West Coast distribution center was built in 1996 and an East Coast distribution center was added in 1997. In 1999, in anticipation of the Christmas rush, Amazon built five warehouse and distribution facilities and several customer service centers to improve its order fulfillment capabilities.

Amazon's initial forays into a broader network began in 1999 but were compartmentalized on the Web site. Non-Amazon products, such as used books or individuals auctioning off different products, were not allowed to infiltrate Amazon's millions of book, CD, and DVD pages. Third-party products were put under "tabs" that roughly described the kind of commerce to be conducted, such as the "auction" tab or the "zShops" tab, which contained a variety of vendor products. Thus, traditional Amazon products were separated from products offered by others. Continued profit pressure, however, forced the organization to look at relationships differently.

Jeff Bezos, company founder and CEO, stated as follows:

> We realized that what was most important to the marketplace sellers was demand—access to prospective buyers. So, the idea of the "single store" was to give them a level of access equal to our own—listing their goods right alongside ours.

As a result, a Web page describing Amazon's product—say a DVD with the product's image and other information—was altered to contain product offerings and descriptions from other vendors, such as used DVDs, DVD players from Circuit City, and used soundtrack CDs from another partner.

With the "single store" strategy, Amazon.com transformed itself from an Internet retailer to a platform for commerce. Small businesses and individuals, which used to be in the Auctions or zShops section, were given the opportunity to place their products on Amazon's most visited sites. In exchange for this visibility, Amazon developed a contract that included a fee schedule and described the responsibilities and activities that each organization would perform.

Larger organizations had more options, including the Merchants@amazon.com arrangement, the merchants.com program, the syndicated stores program, as well as more traditional marketing relationships. The Merchants@amazon.com arrangement gave partner organizations, such as

Office Depot, Circuit City, Borders Books, and Toys "R" Us, access to Amazon's customer base and Web site while retaining ownership of the inventory and the ability to set prices. Amazon got a service fee and commission on sales. For example, Amazon created a three-year partnership with Circuit City that allowed Amazon to generate revenue on people who performed product research online and then made purchases at the store. Amazon began by selling a limited assortment of Circuit City products for in-store pickup, and then expanded its selection of Circuit City products in 2002, including products that duplicated Amazon's product mix.

The Toys "R" Us relationship is an excellent example of how networks operate to the advantage of both companies. Traditional retailers often get 60% of their annual sales in the final two months of the year; in Toys "R" Us's case, it was more like 75%. In 1999, the Toys "R" Us Christmas season nearly ruined the company. As with many retailers, Toys "R" Us hoped to take advantage of the Internet shopping trend and opened toysrus.com. But their inability to fill customer orders produced such a large volume of customer complaints that the company was fined by the Federal Trade Commission for violating mail and telephone order rules. By partnering with Amazon, there was no need for Toys "R" Us to invest in an infrastructure that was going to be used only for eight weeks.

The Toys "R" Us case is a 10-year agreement where Amazon houses toy inventory, ships toys to customers, processes payments, and performs post-sale customer service. Toys "R" Us retains responsibility for buying and pricing products. This relationship was based on an understanding of the strengths of Amazon and Toys "R" Us. Bezos noted that

> There are things we'll never be able to do that partners can do effortlessly. Likewise, we bring certain skills and a customer base to the table that would be very difficult for partners to acquire. The toys category is a good example.

Amazon was building key capabilities in personalizing the customer experience, making it possible to suggest additional purchases based on information provided by the buyer and previous purchases. For example, Amazon's "customer filtering" software tracks a consumer's purchases and finds other consumers in the database who have made similar purchases. It then recommends additional products assuming that the online customer has similar tastes. Other technologies that Amazon can bring include payment systems and Web customer assistance technologies.

On the other hand, Toys "R" Us is an incredibly large buyer, and the Internet sales unit enjoys the same purchasing power as its parent. As Christmas approaches and particular toys or categories of toys attract attention, the larger buyers are more likely to get the last-minute shipments that come in from overseas manufacturers. The partnership works well for both.

In the Merchants.com program, Amazon operated third-party Web sites on behalf of the merchant. For example, Amazon offered its know-how to operate Target's Web site (http://www.target.com), took inventory into its distribution centers, and completed most fulfillment functions. In exchange, Target paid Amazon a fixed fee and commissions on sales. The syndicated store option was similar to the Merchants.com program in that Amazon operated the Web site. The difference was that Amazon offered a completely outsourced solution, taking responsibility for Web site development, buying, stocking, pricing, shipping, and servicing the customer.

Finally, Amazon also engaged in more traditional marketing arrangements where the Amazon.com Web site served as a marketing vehicle for other companies. From the Amazon Web site, users were transferred over to the vendor's Web site and Amazon received a fee based on the number of customers exposed to the vendor's marketing message or on the number of customers referred. Amazon made its first set of partnerships with Drugstore.com, Living.com, and Wine.com among others. As Amazon affiliates, they paid Amazon placement and referral fees for advertising on the Amazon Web site. This was called the Amazon Commerce Network.

By excelling at particular aspects of retailing in the Internet environment, Amazon has been able to leverage those competencies into a powerful network of alliances and partnerships. The network structure is one important reason Amazon is one of the few Internet startups to actually post a profit.

third of the 720 firms in the sample had rehired recently terminated employees as independent contractors or consultants because the downsizings had not been matched by an appropriate reduction in or redesign of the workload.[22] Overall cost reduction was achieved by replacing expensive permanent workers with a contingent workforce.

Over the past decade, most major U.S. corporations and government agencies have engaged in downsizing activities. For example, a 2004 study by Mercer Consulting found that 71% of their respondents had a reduction in force since January 2001 and another study found that 94% of companies surveyed in the U.S. and Europe downsized between 1993 and 1995.[23] Recent government statistics show that more than 124,000 people were laid off in July 2007, and more than 129,000 layoffs were claimed in June 2007.[24] Other organizations have downsized by redeploying workers from one function or job to another. For example, AT&T, IBM, Boeing, Sears, and Xerox cut nearly a quarter-million jobs in 1993 and hired more than 63,000 in 1996. In IBM's case, it laid off more than 69,000 people but increased its total workforce by 16,000 as demand was shifted from hardware to software and services.[25]

Downsizing is generally a response to at least four major conditions. First, it is associated increasingly with mergers and acquisitions. One in nine job cuts during 1998 was the result of the integration of two organizations.[26] Second, it can result from organization decline caused by loss of revenues and market share and by technological and industrial change. As a result of fuel oil prices, terrorism, and other changes, the airline industry reduced its workforce by more than 10% between early 2002 and early 2003.[27] Third, downsizing can occur when organizations implement one of the new organizational structures described above. For example, creation of network-based structures often involves outsourcing work that is not essential to the organization's core competence. Fourth, downsizing can result from beliefs and social pressures that smaller is better.[28] In the United States, there is strong conviction that organizations should be leaner and more flexible. Hamel and Prahalad warned, however, that organizations must be careful that downsizing is not a symptom of "corporate anorexia."[29] Organizations may downsize for their own sake and not think about future growth. They may lose key employees who are necessary for future success, cutting into the organization's core competencies and leaving a legacy of mistrust among members. In such situations, it is questionable whether downsizing is developmental as defined in OD.

Application Stages

Successful downsizing interventions tend to proceed by the following steps:[30]

1. ***Clarify the Organization's Strategy.*** As a first step, organization leaders specify corporate and business strategy and communicate clearly how downsizing relates to it. They seek to inform members that downsizing is not a goal in itself, but a restructuring process for achieving strategic objectives. Leaders need to provide visible and consistent support throughout the process. They can provide opportunities for members to voice their concerns, ask questions, and obtain counseling if necessary.
2. ***Assess Downsizing Options and Make Relevant Choices.*** Once the strategy is clear, the full range of downsizing options can be identified and assessed. Table 14.8 describes three primary downsizing methods: workforce reduction, organization redesign, and systemic change. A specific downsizing strategy may use elements of all three approaches. Workforce reduction is aimed at reducing the number of employees, usually in a relatively short timeframe. It can include attrition, retirement incentives, outplacement services, and layoffs. Organization redesign attempts to restructure the firm to prepare it for the next stage of growth. This

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is a medium-term approach that can be accomplished by merging organizational units, eliminating management layers, and redesigning tasks. Systemic change is a longer-term option aimed at changing the culture and strategic orientation of the organization. It can involve interventions that alter the responsibilities and work behaviors of everyone in the organization and that promote continual improvement as a way of life in the firm.

Case, a manufacturer of heavy construction equipment, used a variety of methods to downsize, including eliminating money-losing product lines; narrowing the breadth of remaining product lines; bringing customers to the company headquarters to get their opinions of new product design (which surprisingly resulted in maintaining, rather than changing, certain preferred features, thus holding down redesign costs); shifting production to outside vendors; restructuring debt; and spinning off most of its 250 stores. Eventually, these changes led to closing five plants and to payroll reductions of almost 35%.[31] The number of jobs lost would have been much greater, however, if Case had not implemented a variety of downsizing methods.

Unfortunately, organizations often choose obvious solutions for downsizing, such as layoffs, because they can be implemented quickly. This action produces a climate of fear and defensiveness as members focus on identifying who will be separated from the organization. Examining a broad range of options and considering the entire organization rather than only certain areas can help allay fears that favoritism and politics are the bases for downsizing decisions. Moreover,

participation of organization members in such decisions can have positive benefits. It can create a sense of urgency for identifying and implementing options to downsizing other than layoffs. Participation can provide members with a clearer understanding of how downsizing will proceed and can increase the likelihood that whatever choices are made are perceived as reasonable and fair.

3. ***Implement the Changes.*** This stage involves implementing methods for reducing the size of the organization. Several practices characterize successful implementation. First, downsizing is best controlled from the top down. Many difficult decisions are required, and a broad perspective helps to overcome people's natural instincts to protect their enterprise or function. Second, specific areas of inefficiency and high cost need to be identified and targeted. The morale of the organization can be hurt if areas commonly known to be redundant are left untouched. Third, specific actions should be linked to the organization's strategy. Organization members need to be reminded consistently that restructuring activities are part of a plan to improve the organization's performance. Finally, communicate frequently using a variety of media. This keeps people informed, lowers their anxiety over the process, and makes it easier for them to focus on their work.
4. ***Address the Needs of Survivors and Those Who Leave.*** Most downsizing eventually involves reduction in the size of the workforce, and it is important to support not only employees who remain with the organization but also those who leave. When layoffs occur, employees are generally asked to take on additional responsibilities and to learn new jobs, often with little or no increase in compensation. This added workload can be stressful, and when combined with anxiety over past layoffs and possible future ones, it can lead to what researchers have labeled the "survivor syndrome."[32] This syndrome involves a narrow set of self-absorbed and risk-averse behaviors that can threaten the organization's survival. Rather than working to ensure the organization's success, survivors often are preoccupied with whether additional layoffs will occur, with guilt over receiving pay and benefits while coworkers are struggling with termination, and with the uncertainty of career advancement.

   Organizations can address these survivor concerns with communication processes that increase the amount and frequency of information provided. Communication should shift from explanations about who left or why to clarification of where the company is going, including its visions, strategies, and goals. The linkage between employees' performance and strategic success is emphasized so that remaining members feel they are valued. Organizations also can support survivors through training and development activities that prepare them for the new work they are being asked to perform. Senior management can promote greater involvement in decision making, thus reinforcing the message that people are important to the future success and growth of the organization.

   Given the negative consequences typically associated with job loss, organizations have developed an array of methods to help employees who have been laid off. These include outplacement counseling, personal and family counseling, severance packages, office support for job searches, relocation services, and job retraining. Each service is intended to assist employees in their transition to another work situation.
5. ***Follow Through with Growth Plans.*** This final stage of downsizing involves implementing an organization renewal and growth process. Failure to move quickly to implement growth plans is a key determinant of ineffective downsizing.[33] For example, a study of 1,020 human resource directors reported that only 44% of the companies that had downsized in the previous five years shared details of their growth plans with employees; only 34% told employees how they would fit into the company's new strategy.[34] Organizations must ensure that employees

understand the renewal strategy and their new roles in it. Employees need credible expectations that, although the organization has been through a tough period, their renewed efforts can move it forward.

Application 14.3 describes the process of a strategically focused downsizing effort at Agilent Technologies.[35] It demonstrates how a senior leader built on the firm's strategy and culture, as well as important OD concepts, to manage a severe downturn in its business.

Results of Downsizing

The empirical research on downsizing is mostly negative.[36] A review conducted by the National Research Council concluded, "From the research produced thus far, downsizing as a strategy for improvement has proven to be, by and large, a failure." A number of studies have documented the negative productivity and employee consequences. One survey of 1,005 companies that used downsizing to reduce costs reported that fewer than half of the firms actually met cost targets. Moreover, only 22% of the companies achieved expected productivity gains, and consequently about 80% of the firms needed to rehire some of the same people that they had previously terminated. Fewer than 33% of the companies surveyed reported that profits increased as much as expected, and only 21% achieved satisfactory improvements in shareholder return on investment. Another survey of 1,142 downsized firms found that only about a third achieved productivity goals. In addition, the research points to a number of problems at the individual level, including increased stress and illness, loss of self-esteem, reduced trust and loyalty, and marriage and family disruptions.[37]

Research on the effects of downsizing on financial performance also shows negative results.[38] One study examined an array of financial performance measures, such as return on sales, assets, and equity, in 210 companies that announced layoffs. It found that increases in financial performance in the first year following the layoff announcements were not followed by performance improvements in the next year. In no case did a firm's financial performance after a layoff announcement match its maximum levels of performance in the year before the announcement. These results suggest that layoffs may result in initial improvements in financial performance, but such gains are temporary and not sustained at even pre-layoff levels. In a similar study of 16 firms that wrote off more than 10% of their net worth in a five-year period, stock prices, which averaged 16% below the market average before the layoff announcements, increased on the day that the restructuring was announced but then began to steadily decline. Two years after the layoff announcements, 10 of the 16 stocks were trading below the market by 17–48%, and 12 of the 16 were below comparable firms in their industries by 5–45%.

These research findings paint a rather bleak picture of the success of downsizing. The results must be interpreted cautiously, however, for three reasons. First, many of the survey-oriented studies received responses from human resources specialists who might have been naturally inclined to view downsizing in a negative light. Second, the studies of financial performance may have included a biased sample of firms. If the companies selected for analysis had been poorly managed, then downsizing alone would have been unlikely to improve financial performance. There is some empirical support for this view because low-performing firms are more likely to engage in downsizing than are high-performing firms.[39]

Third, disappointing results may be a function of the way downsizing was implemented. A number of organizations, such as Florida Power and Light, General Electric, Motorola, Texas Instruments, Boeing, DaimlerChrysler, and Hewlett-Packard, have posted solid financial returns following downsizing.[40] A study of 30 downsized firms in the automobile industry showed that those companies that implemented effectively the process described above scored significantly higher on several performance measures than did

application 14.3

Strategic Downsizing at Agilent Technologies

Agilent Technologies was the $8.3 billion electronic components, test, and measurement instruments business that was spun off from Hewlett-Packard in 1999. Agilent's core technologies were mostly unfamiliar to the ordinary consumer and understood only by its engineering and scientific customers. The keys to success were technological superiority and the highest levels of product quality. In Agilent's first year, it seemed CEO Ned Barnholt, a 35-year HP veteran, had found the right formula when the company announced in March 2000 that it had developed an innovative photonic switch for all-optical networks. Its stock price increased 39% in one day. Hiring increased as well and by November 2000, Agilent employed 47,000 people.

Agilent's culture was closely aligned with the "HP Way"—a management philosophy devised by Hewlett and Packard ("Bill and Dave") that spells out how to treat customers, shareholders, and most of all employees. The HP Way suggests that everyone will give their best if they are treated honestly, involved in decisions, and listened to. Barnholt adopted the HP Way but with a twist for the new firm. He believed that three "values"—speed, accountability, and focus—should guide Agilent practices. To reinforce those values, he instituted a pay-for-performance plan and retrained all 6,000 managers to get them making decisions faster and better.

By 2001, and despite its early success, Agilent was feeling the crunch of an overall downturn in the economy as well as the pressure from canceled orders by its primary telecommunications customers. A variety of forces, including over-capacity, unrealistic Wall Street expectations, the dot.com failures, and tight investment capital, forced many telecom companies to either cancel or greatly reduce their orders. Agilent's response provides important lessons in managing in difficult times.

In March of 2001, Barnholt met with his senior team, most of whom had been with HP for decades, and discussed the implications of the telecom industry's downturn. Barnholt wanted to find a way to cut costs temporarily. What would Bill and Dave do? The answer, it turned out, was written in history. They would do the same thing they had done when HP's business soured in the 1970s: Cut expenses and then, if necessary, cut salaries.

Agilent provided employees with a stream of information—in emails, internal newsletters, and regular team meetings—about the business situation and the plan for addressing it, including why the cuts were necessary and how savings would help. Barnholt delivered his own take on the situation by using one of his regular communication channels—every quarter on the day Agilent releases its numbers to Wall Street, his recorded-speech on the state of affairs is given to employees. This time, everyone heard the message together—we need to cut costs any way we can. So Barnholt froze hiring and eliminated about 5,000 temporary positions. He then asked all employees to cut discretionary spending without explaining where, how, or how much.

The shift in the environment and management's call for cost cutting translated into a variety of responses. For example, employees built Web sites to house data that once were printed out; they doubled up on rooms on business trips; they brought bags of chips to recruiting events instead of calling in catering. Without specific guidelines, no one knew how much they had to cut, so they tried to cut as much as possible. Juan Yamuni, a 33-year-old analyst in Agilent's international treasury department, reflected the general sentiment: "Top management was good about guiding you instead of giving 'direct order' from upstairs."

Through strictly volunteer efforts, the company cut its travel expenses 50% and its printer and PC purchases 70%. But that wasn't enough to slow the decline in revenue per employee from $71,000 a quarter at the end of October 2000 to $54,000 a quarter in April 2001. Net income per employee fell from $6,500 to $1,900 in the same period. At that point, Barnholt announced a temporary 10% across-the-board salary cut to get $280 million in annual savings. Employees cheered the move. "This was a matter of saving employees," says Stacy Yu, 25, who handles marketing for fiber-optic products. "Everyone knows that we have to chip in to make sure that everyone else is okay."

When sales orders continued to plummet, Barnholt was forced to cut staff, something that Hewlett and Packard had never had to. In mid-June, Barnholt gathered his management team and challenged them to find a way to slash 4,000 people, about 9% of the company, and to do it without making them or the survivors feel mistreated. That is, getting caught in a downsizing effort isn't surprising, but what was surprising

was the way the process was conducted and the results it produced. Barnholt laid out a tough set of ground rules: Employees were to be told they were being let go only by their direct managers, and no across-the-board cuts were to take place. Barnholt wanted everything handled division by division, looking at each program and each employee. In keeping with his values, he wanted the names in a month. "I was very worried," he said. "We were in new territory. Our people don't have experience with this." In fact, many of the employees who were eventually out of a job did not spend their final days updating resumes on company time or sabotaging customers, but by working harder, longer, and more productively.

To achieve these goals, Agilent went on a downsizing campaign that was two parts communication, one part execution. First, Barnholt knew that he had to set the tone. On the day Agilent would report its first ever quarterly loss, he broke tradition and announced the downsizing before releasing the information to Wall Street and before the employees heard about it through the media. He thanked everyone for cutting costs and cutting salaries, and then he presented the business situation. Barnholt said that downsizing was unavoidable, and he detailed how many people would lose their jobs, where the number came from, and how the "painful" process would work. "This is the toughest decision of my career," he said. "But we've run out of alternatives."

Second, managers had to do their part in communicating and managing the layoffs. More than 3,000 managers went through a series of daylong training sessions at an outplacement firm where they role-played and listened to the right and wrong ways to let people go. Back at Agilent, managers were told to be as honest as possible, to keep the door even more open than usual, and to field every question. For example, Dave Allen, the general manager of a semiconductor plant in Newark, CA, delivered the news. Agilent's top management figured that they could save millions by shutting it down and moving only about 5% of Newark's 300 people to a bigger plant in Colorado. Standing in the cafeteria in early September, he explained the cost savings and told the workers that almost all of them would be out of a job within a year. The plant, he said, would close by October 2002. But he also said that since the chips were in high demand and since the manufacturing process was so new, he needed everyone to stay focused and committed.

At first, everything went to hell. For ten days, production dropped. Then it went up, and up again. Soon, the Newark plant was producing more chips at a faster rate than anyone had forecast. "We were brutally honest with them about what we're doing, what drove the decision, what the timing is, what's going to happen," explains Allen. "That honesty and integrity up-front is critical. If you don't have it, you lose their hearts and their minds, and they won't be productive." For the workers, a more basic human instinct was at play—like the desire to hold on to a job. "Well," said Mary Dominguez, a 16-year employee at the plant, "maybe the Colorado plant won't work. And maybe they'll let us stay."

At the same time they were communicating, managers had to evaluate every program and position they oversaw to come up with the 4,000 total. Forms used to help in the analysis were posted on Agilent's intranet; employees could see the criteria by which they'd be measured.

Just as people were being told whether they'd stay or go, September 11 hit, and with it, the likelihood of a quick recovery. Barnholt again met with his senior leaders and announced in November that another 9% would have to be cut. From a high of 47,000, the organization expected to eliminate 8,000 full-time workers and almost 5,000 temporary workers, or 27% of Agilent's workforce. The downsizing process was repeated, with Barnholt crafting a new message and managers submitting new names.

"I knew that this wasn't part of the HP Way, and it's not what Bill and Dave would have wanted," said one employee who joined Agilent right out of college. "But if they were faced with the same situation, they would have had to do the exact same thing. And even though all of us probably lost sleep worrying about our jobs and whether we'd have them or not, I know [Barnholt] probably lost a lot more having to get up there in front of everybody and make this announcement."

At least part of the reason Agilent was so successful in its downsizing efforts was the way it gained employees' trust and managed its initial growth. Agilent had succeeded in turning the "us vs. them" of corporate downsizing into just "us." Agilent made a series of smart moves involving good management, good planning, and most of all, empathy. In perhaps the best measure of its success, despite the downsizing, Agilent was No. 31 on Fortune's 2002's list of the Best Companies to Work For.

firms that had no downsizing strategy or that implemented the steps poorly.[41] Several studies have suggested that where downsizing programs adopt appropriate OD interventions or apply strategies similar to the process outlined above, they generate more positive individual and organ-izational results.[42] Thus, the success of downsizing efforts may depend as much on how effectively the intervention is applied as on the size of the layoffs or the amount of delayering.

REENGINEERING

The final restructuring intervention is *reengineering*—the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in performance.[43] Reengineering transforms how organizations traditionally produce and deliver goods and services. Beginning with the Industrial Revolution, organizations have increasingly fragmented work into specialized units, each focusing on a limited part of the overall production process. Although this division of labor has enabled organizations to mass-produce standardized products and services efficiently, it can be overly complicated, difficult to manage, and slow to respond to the rapid and unpredictable changes experienced by many organizations today. Reengineering addresses these problems by breaking down specialized work units into more integrated, cross-functional work processes. This streamlines work processes and makes them faster and more flexible; consequently, they are more responsive to changes in competitive conditions, customer demands, product life cycles, and technologies.[44]

As might be expected, successful reengineering requires an almost revolutionary change in how organizations design their structures and their work. It identifies and questions the often-unexamined assumptions underlying how organizations perform work and why do they do it in a particular way. This effort typically results in radical changes in thinking and work methods—a shift from specialized jobs, tasks, and structures to integrated processes that deliver value to customers. Such revolutionary change differs considerably from incremental approaches to performance improvement, such as continuous improvement and total quality management (Chapter 15), which emphasize incremental changes in existing work processes. Because reengineering radically alters the status quo, it seeks to produce dramatic increases in organization performance.

Reengineering seeks to leverage information technology when large-scale business processes, such as supply chain logistics, change radically. These complex systems can help organizations to break out of traditional ways of thinking about work and embrace entirely new ways of producing and delivering products. The most popular software systems, SAP and PeopleSoft, standardize information flows and help to integrate data on a range of tasks and link work processes together. On the other hand, many reengineering projects fail because existing information systems do not provide the data needed to operate integrated business processes.[45] Such legacy systems do not allow interdependent departments to interface with each other; they often require new information to be entered manually into separate computer systems before people in different work areas can access it.

Reengineering also is associated with downsizing, the shift from functional to process-based structures, and work design (Chapter 16). Although these interventions have different conceptual and applied backgrounds, they overlap considerably in practice. Reengineering can result in production and delivery processes that require fewer people and fewer layers of management. Conversely, downsizing may require subsequent reengineering interventions. When downsizing occurs without fundamental changes in how work is performed, the same tasks simply are being performed with a smaller number of people. Thus, expected cost savings may not be realized because lower salaries and fewer benefits are offset by lower productivity.

Reengineering also can be linked to transformation of organization structures and work design. Its focus on work processes helps to break down the vertical orientation of functional and divisional organizations. The endeavor identifies and assesses core business processes and redesigns work to account for key task interdependencies running through them. That typically results in new jobs or teams that emphasize multifunctional tasks, results-oriented feedback, and employee empowerment—characteristics associated with motivational and sociotechnical approaches to work design. Regrettably, reengineering initially failed to apply these approaches' attention to individual differences in people's reactions to work to its own work-design prescriptions. It advocated enriched work and teams, without consideration for the wealth of research that shows that not all people are motivated to perform such work.[46]

Application Stages

Early reengineering efforts emphasized identifying which business processes to reengineer and technically assessing the work flow. More recent efforts have extended reengineering practice to address issues of managing change, such as how to deal with resistance to change and how to manage the transition to new work processes.[47] The following application steps are included in most reengineering efforts, although the order may change slightly from one situation to another:[48]

1. ***Prepare the Organization.*** Reengineering begins with clarification and assessment of the organization's context, including its competitive environment, strategy, and objectives. This effort establishes and communicates the need for reengineering and the strategic direction that the process should follow. Preparing for reengineering at the Veterans Administration health care system was made easier because everyone agreed the health care delivery process was broken. Veterans' groups were outspoken in their complaints of quality care, it was publicly ridiculed in the movie *The Fourth of July* with Tom Cruise, and many patients were figuratively "falling through the cracks." The old way of doing business, reinforced by years of government protection and a long period of peace, seriously saddled the organization with high costs, old systems, and siloed processes.[49]

   The VA's leadership, led by Kenneth Kizer, recognized that the keys to the firm's success were low costs and customer satisfaction. Consequently, they set dramatic goals of increasing patient visits while holding annual cost per patient steady. Defining these objectives gave the reengineering effort a clear focus.

   A final task in preparing the organization is to communicate clearly—through words and deeds—why reengineering is necessary and the direction it will take. The VA's preparation included not only traditional communications through speeches, newsletters, and meetings, but visible commitments such as reorganizing the pharmacy organization and making substantial technology commitments to an electronic medical record system. Thus, senior executives were careful to communicate, both verbally and behaviorally, that they were fully committed to the change effort. Demonstration of such unwavering support seems necessary if organization members are to challenge their traditional thinking about how business should be conducted.
2. ***Fundamentally Rethink the Way Work Gets Done.*** This step lies at the heart of reengineering and involves these activities: identifying and analyzing core business processes, defining their key performance objectives, and designing new processes. These tasks are the real work of reengineering and typically are performed by a cross-functional design team who is given considerable time and resources to accomplish them.[50]
   a. **Identify and analyze core business processes.** Core processes are considered essential for strategic success. They include activities that transform inputs

into valued outputs. Core processes typically are assessed through development of a process map that identifies the three to five activities required to deliver an organization's products or services. For a health care system, the core processes include the intake of patients through the primary care physician, inpatient and outpatient services, and medical records and billing.

Analysis of core business processes can include assigning costs to each of the major phases of the work flow to help identify costs that may be hidden in the activities of the production process. Traditional cost-accounting systems do not store data in process terms; they identify costs according to categories of expense, such as salaries, fixed costs, and supplies.[51] This method of cost accounting can be misleading and can result in erroneous conclusions about how best to reduce costs. For example, most traditional accounting systems suggest that salaries and fringe benefits account for the largest percentage of total costs—an assessment that supports workforce downsizing as the most effective way to lower costs. An activity-based accounting system often reveals a different picture—that rework, errors, and delays during the workflow are major sources of uncessary cost.

Business processes also can be assessed in terms of value-added activities—the amount of value contributed to a product or service by a particular step in the process. For example, early in the VA's process, senior managers learned that only 10% of the patients covered by the VA had a primary care physician. By assigning a primary care physician to each veteran patient, the total cost of care was greatly reduced. Patients saw one physician who could address many issues rather than making mutliple visits to a variety of specialists. Conversely, organizations often engage in a variety of process activities that have little or no added value.

b. **Define performance objectives.** Challenging performance goals are set in this step. The highest possible level of performance for any particular process is identified, and dramatic goals are set for speed, quality, cost, or other measures of performance. These standards can derive from customer requirements or from benchmarks of the best practices of industry leaders. For example, at Andersen Windows, the demand for unique window shapes pushed the number of different products from 28,000 to more than 86,000 in 1991.[52] The pressure on the shop floor for a "batch of one" resulted in 20% of all shipments containing at least one order discrepancy. As part of its reengineering effort, Andersen set targets for ease of ordering, manufacturing, and delivery. Each retailer and distributor was sold an interactive, computerized version of its catalog that allowed customers to design their own windows. The resulting design is then given a unique "license plate number" and the specifications are sent directly to the factory. By 1995, new sales had tripled at some retail locations, the number of products had increased to 188,000, and fewer than 1 in 200 shipments had a discrepancy.

c. **Design new processes.** This task involves designing new business processes to achieve breakthrough goals. It often starts with a clean sheet of paper and addresses the question "If we were starting this company today, what is the most effective and efficient way to deliver this product or service?" Each essential process is then designed according to the following guidelines:[53]

- Begin and end the process with the needs and wants of the customer.
- Simplify the current process by combining and eliminating steps.
- Use the "best of what is" in the current process.
- Attend to both technical and social aspects of the process.
- Do not be constrained by past practice.

- Identify the critical information required at each step in the process.
- Perform activities in their most natural order.
- Assume the work gets done right the first time.
- Listen to people who do the work.

An important activity that appears in many successful reengineering efforts is implementing "early wins" or "quick hits." Analysis of existing processes often reveals obvious redundancies and inefficiencies for which appropriate changes may be authorized immediately. These early successes can help generate and sustain momentum in the reengineering effort.

3. ***Restructure the Organization Around the New Business Processes.*** This last step in reengineering involves changing the organization's structure to support the new business processes. This endeavor typically results in the kinds of process-based structures that were described earlier in this chapter. Reengineered organizations typically have the following characteristics:[54]
   - Work units change from functional departments to process teams.
   - Jobs change from simple tasks to multidimensional work.
   - People's roles change from controlled to empowered.
   - The focus of performance measures and compensation shifts from activities to results.
   - Organization structures change from hierarchical to flat.
   - Managers change from supervisors to coaches; executives change from scorekeepers to leaders.

The VA's experience reflects many of these features. As suggested earlier, the key to a reengineered organization is often its commitment to and development of an integrated information system. During the VA's reengineering, it was an electronic medical record system that integrated nearly every step in the patient care process. The following examples support how the information system radically transformed the way patient care was delivered:

- A physician working at his desk gets a reminder that one of his patients in the hospital, a 44-year-old diabetic, is due to have an eye exam. Through the system, the doctor asks the floor nurse to send him to the eye clinic on the second floor, where an ophthalmologist administers the test. An alert soon flashes on the doctor's screen saying the exam has been completed.
- A nurse on a different floor uses the same computer network to make sure she's giving the right medication to a 60-year-old patient with high blood pressure. With a handheld device, she scans a bar-coded bracelet on her patient's wrist and then a bar code on the drug bottle. A nearby computer linked to the hospital pharmacy confirms that she's giving the right drug to the right patient.
- In the Tele-Health unit, a nurse reads the vital statistics of a 57-year-old patient that were sent to her computer via an electronic system that the VA has rigged at his home. Today the news is worrisome: The patient, who is suffering from heart disease, has gained three pounds overnight, indicating that he's retaining fluids. After a few quick phone calls to the patient and his doctor, she tells him to double his diuretic medication today. "We caught him before his condition got worse," she says with satisfaction.

Application 14.4 describes the reengineering efforts at Honeywell's Industrial Automation and Control business. It highlights the importance of mapping current processes and aligning the rest of the organization to support the change, especially information technology.[55]

application 14.4

Honeywell IAC's Totalplant™ Reengineering Process

Honeywell (http://www.honeywell.com) is a diversified technology and manufacuring organization that serves customers worldwide with aerospace products and services; control technologies for buildings, homes, and industry; automotive products; and specialty materials. Its industrial automation and control (IAC) business unit in Phoenix, Arizona, is responsibile for the design, manufacture, and configuration of world-class process control equipment marketed as the TDC 3000X family of systems. Their customer base includes refineries, chemical plants, and paper mills around the world.

In response to declining performance results, IAC management set out to implement an ISO 9000 certified quality program named TotalPlant™ as part of an effort to optimize global customer satisfaction. The objectives of this initiative were reducing defects, minimizing production cycles, and optimizing resource management. The TotalPlant™ initiative was a business process reengineering intervention based upon four principles: process mapping, fail-safing, teamwork, and communication. Cross-functional multiskilled teams were created and given responsibility for an entire module or product line. Each team member was then educated in each of the principles and empowered to enact them to create improvements within their work groups.

Process mapping is a methodology that converts any business activity into a graphical form. It creates a common visual language that can be used to enhance an employee's ability to see beyond the boundaries of their work process. It is also the basis of radical change in business processes. As part of the TotalPlant™ initiative, process mapping consisted of eight major stages.

- The first three stages were to select the process to be reviewed, identify all customers, and set the boundaries of the process. Through consensus decision making, these simple steps kept the participants focused on the process being mapped. In addition, the team reviewed its composition to ensure that all appropriate functions were represented.
- Fourth, the team developed an "as is" map. This required them to outline and document the existing process. By creating a visual map the team was able to identify the flow of both the product and the information related to the process. Cross-functional decision points and dependencies became visually apparent through the process. Fifth, the "as is" map was used by the team to calculate cycle times, the elapsed times between the start of a process and the conclusion of a process, as well as the distance the product travels during that cycle. Both the mean and the range were calculated for each process cycle time.
- Sixth, the team identified areas of improvement that did not require additional costs or resources. Non-value-added steps, extended approval processes, and processes with highly variant cycle times were analyzed and either streamlined or completely eliminated. Following this step, the seventh stage was to develop a "should be" map that described the improved process.
- Finally, the eighth step directed the team to develop a process implementation plan, establish confirmation from a steering committee, and then implement it. New goals were established and results tracked for each of the process steps.

The second major component of the TotalPlant™ process was the *fail-safing process*. Fail-safing is a five-step process intended to create a product that is defect free by identifying and analyzing defects, and understanding their root causes. A root cause has three characteristics: (1) it is defined as being the cause of the defect; (2) it is possible to change the cause; and (3) if eliminated, the defect will be eliminated or at least significantly reduced. Once the root cause is identified, a set of alternative solutions is developed to eliminate the defect in future product. Each alternative is evaluated for ease of implementation, cost, and time to implement.

Once a solution is agreed upon, the team implements the PDCA (Plan, Do, Check, Act) process to move the solution forward. Planning includes developing a full implementation plan, which includes areas impacted, timing, resource requirements, and costs. This becomes a living document outlining the action items needed to implement the change. "Doing" consists of executing against the implementation plan. Once the new process has been implemented, the results are "checked" to ensure that they are in line

with the desired results. Finally, the team must "act" to determine the next steps for continuous improvement.

Teamwork was the critical third piece of the TotalPlant™ process. Honeywell realized that the transition to a team environment needed to happen gradually. Through the process mapping and fail-safing process, they gave people real problems to solve and systematic tools with which to solve them. With the addition of education and training around teams, these "hard-skill" activities became the fertile soil for team development. As team members were asked to own the whole process, an environment that fosters teamwork was created. Creativity, innovation, and risk taking were rewarded and the values of the organization moved to trust, respect, and empowerment. Managers were educated to support the teams, not run them in order to further enrich the team environment.

The final and foundational element of the TotalPlant™ process was *communication*. Top management's successful communication of the TotalPlant™ paradigm shift was pivotal to the initiative's success. Through their everyday actions, top management lived the values of open communication throughout the organization. In addition, teams were given training in conflict resolution, problem solving, and listening skills to enhance the overall effectiveness of communication within the teams. The creation of a positive, open environment became critical to the success of the change initiative being undertaken. Top management understood that the environment needed to shift to consistently support teamwork, creativity, and "new thinking." The major challenges within the process took the form of middle-management resistance. The new team concepts made managers who had been functional or process experts move outside their comfort zone by requiring them to look at processes across functions and broaden their view of success. Top management was required to move from command and control to a more facilitative and empowering approach to support this type of behavior change.

In addition to the four major components of the TotalPlant™ process, Honeywell made significant changes in the technology strategy to support the business strategy. The information systems group was converted into an information technology shop where all technology was developed in direct support of the plant and its operations. All systems were fully integrated to optimize the timeliness and accurracy of information.

After three years, performance results indicated a reduction in defects of 70%, customer rejects declined by 57%, and there was a 46% reduction in inventory investments. Honeywell's execution against their vision is what set this business process reengineering apart from others. Top management did not just speak the vision, they lived and supported it through active participation in the entire change process. Another critical component was that the organizational structure was redesigned to align with the new processes and strategies. Top management at Honeywell understood that change of this magnitude takes time and therefore were able to set the organization's expectations accordingly. Additionally, they committed appropriate levels of training and financial resources to make the initiative a success.

The Honeywell case provides some excellent learnings for making a reengineering initiative successful. First, people are the key enablers of change. They must be trained, developed, and rewarded to support the change process. Second, people must be able to question all of their assumptions. Nothing can be sacred as each process is deconstructed and then rebuilt. Third, process mapping provides people with a systematic process for analyzing and improving existing systems and processes. Next, management must be able to create dissatisfaction with the existing process and allow the teams to own the solution. An environment conducive to change must be created and supported by management's attitudes and behaviors. This includes active participation at all stages of the process.

However, while support and participation from the top is important, implementation should take place by empowering decision makers at the level where the work is being done. Honeywell also demonstrated that reengineering must be a business-driven and continuous process. Initiatives like fail-safing demonstrated the need to continuously challenge the status quo. Stretch goals must be set throughout the process to keep employees motivated. Finally, the most critical component of a successful reengineering initiative is the ability to actively implement and execute against the plan. By keeping their eye on the end goal, Honeywell was able to successfully optimize their customer satisfaction through this process.

Results from Reengineering

The results from reengineering vary widely. Industry journals and the business press regularly contain accounts of dramatic business outcomes attributable to reengineering. On the other hand, the best-selling book on reengineering reported that as many as 70% of the efforts failed to meet their cost, cycle time, or productivity objectives.[56] One study polled 497 companies in the United States and 1,245 companies in Europe, and found that 60% of U.S. firms and 75% of European firms had engaged in at least one reengineering project. Eighty-five percent of the firms reported little or no gain from the efforts.[57] Despite its popularity, reengineering is only beginning to be evaluated systematically, and there is little research to help unravel the disparate results.[58]

One evaluation of business process reengineering examined more than one hundred companies' efforts.[59] In-depth analyses of 20 reengineering projects found that 11 cases had total business unit cost reductions of less than 5%, whereas six cases had total cost reductions averaging 18%. The primary difference was the scope of the business process selected. Reengineering key value-added processes significantly affected total business unit costs; reengineering narrow business processes did not.

Similarly, performance improvements in particular processes were associated strongly with changes in six key levers of behavior, including structure, skills, information systems, roles, incentives, and shared values. Efforts that addressed all six levers produced average cost reductions in specific processes by 35%; efforts that affected only one or two change levers reduced costs by 19%. Finally, the percentage reduction in total unit costs was associated with committed leadership. Similarly, a survey of 23 "successful" reengineering cases found that they were characterized by a clear vision of the future, specific goals for change, use of information technology, top management's involvement and commitment, clear milestones and measurements, and the training of participants in process analysis and teamwork.[60]

SUMMARY

This chapter presented interventions aimed at restructuring organizations. Several basic structures, such as the functional structure, the divisional structure, and the matrix configuration, dominate most organizations. Three newer forms, process-based, customer-centric, and network-based structures, were also described. Each of these structures has corresponding strengths and weaknesses, and supportive conditions must be assessed when determining which structure is an appropriate fit with the organization's environment.

Two restructuring interventions were described: downsizing and reengineering. Downsizing decreases the size of the organization through workforce reduction or organizational redesign. It generally is associated with layoffs where a certain number or class of organization members are no longer employed by the organization. Downsizing can contribute to organization development by focusing on the nization's strategy, using a variety of downsizing tactics, addressing the needs of all organization members, and following through with growth plans. Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in performance. It seeks to transform how organizations traditionally produce and deliver goods and services. A typical reengineering project prepares the organization, rethinks the way work gets done, and restructures the organization around the newly designed core processes.

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15

Employee Involvement

Faced with competitive demands for lower costs, higher performance, and greater flexibility, organizations are increasingly turning to employee involvement (EI) to enhance the participation, commitment, and productivity of their members. This chapter presents OD interventions aimed at moving decision making downward in the organization, closer to where the actual work takes place. This increased employee involvement can lead to quicker, more responsive decisions, continuous performance improvements, and greater employee flexibility, commitment, and satisfaction.

Employee involvement is a broad term that has been variously referred to as "empowerment," "participative management," "engagement," "work design," "high involvement," "industrial democracy," and "quality of work life." It covers diverse approaches to gaining greater participation in relevant workplace decisions. Organizations such as General Mills, The Hartford, and Intel have enhanced worker involvement through enriched forms of work; others, such as Verizon, Deutsche Telekom, Wells Fargo, and Boeing, have increased participation by forming EI teams that develop suggestions for improving productivity and quality; Southwest Airlines, Shell Oil, and Nucor Steel have sought greater participation through union–management cooperation on performance and quality-of-work-life issues; and still others, such as Texas Instruments, Kimberly-Clark, 3M, the IRS, and Motorola, have improved employee involvement by emphasizing participation in quality improvement approaches.

As described in Chapter 1, current EI approaches evolved from earlier quality-of-work-life efforts in Europe, Scandinavia, and the United States. The terms "employee involvement" and "empowerment" gradually have replaced the designation "quality of work life," particularly in the United States. A current definition of EI includes four elements that can promote meaningful involvement in workplace decisions: power, information, knowledge and skills, and rewards. These components of EI combine to exert powerful effects on productivity and employee well-being.

Major EI applications discussed in this chapter are parallel structures, including cooperative union–management projects and quality circles; total quality management; and high-involvement organizations. Two additional EI approaches, work design and reward system interventions, are discussed in Chapters 16 and 17, respectively.

EMPLOYEE INVOLVEMENT: WHAT IS IT?

Employee involvement is the current label used to describe a set of practices and philosophies that started with the quality-of-work-life movement in the late 1950s. The phrase "quality of work life" (QWL) was used to stress the prevailing poor quality of life at the workplace.[1] As described in Chapter 1, both the term "QWL" and the meaning attributed to it have undergone considerable change and development. More recently, the term "engagement" has been popular, and a great deal of effort has been invested in differentiating the term. "Engagement" refers to an organization member's work experience. Engaged employees are motivated, committed, and interested in their work.[2] Engagement, then, is the outcome of EI interventions. In this section, we

provide a working definition of EI, document the growth of EI practices in the United States and abroad, and clarify the important and often misunderstood relationship between EI and productivity.

A Working Definition of Employee Involvement

Employee involvement seeks to increase members' input into decisions that affect organization performance and employee well-being.[3] It can be described in terms of four key elements that promote worker involvement:[4]

1. **Power.** This element of EI includes providing people with enough authority to make work-related decisions covering various issues such as work methods, task assignments, performance outcomes, customer service, and employee selection. The amount of power afforded employees can vary enormously, from simply asking them for input into decisions that managers subsequently make, to managers and workers jointly making decisions, to employees making decisions themselves.
2. **Information.** Timely access to relevant information is vital to making effective decisions. Organizations can promote EI by ensuring that the necessary information flows freely to those with decision authority. This can include data about operating results, business plans, competitive conditions, new technologies and work methods, and ideas for organizational improvement.
3. **Knowledge and skills.** Employee involvement contributes to organizational effectiveness only to the extent that employees have the requisite skills and knowledge to make good decisions. Organizations can facilitate EI by providing training and development programs for improving members' knowledge and skills. Such learning can cover an array of expertise having to do with performing tasks, making decisions, solving problems, and understanding how the business operates.
4. **Rewards.** Because people generally do those things for which they are recognized, rewards can have a powerful effect on getting people involved in the organization. Meaningful opportunities for involvement can provide employees with internal rewards, such as feelings of self-worth and accomplishment. External rewards, such as pay and promotions, can reinforce EI when they are linked directly to performance outcomes that result from participation in decision making. (Reward systems are discussed more fully in Chapter 17.)

Those four elements—power, information, knowledge and skills, and rewards—contribute to EI success by determining how much employee participation in decision making is possible in organizations. To the extent that all four elements are made available throughout, and especially in the lower levels of, the organization, the greater the employee involvement. Furthermore, because the four elements of EI are interdependent, they must be changed together to obtain positive results. For example, if organization members are given more power and authority to make decisions but do not have the information or knowledge and skill to make good decisions, then the value of involvement is likely to be negligible. Similarly, increasing employees' power, information, and knowledge and skills but not linking rewards to the performance consequences of changes gives members little incentive to improve organizational performance. The EI methods that will be described in this chapter vary in how much involvement is afforded employees. Parallel structures, such as union–management cooperative efforts and quality circles, are limited in the degree that the four elements of EI are moved downward in the organization. Total quality management and high-involvement organizations provide far greater opportunities for involvement.

The Diffusion of Employee Involvement Practices

The number of organizations using EI practices is growing in both the United States and Europe. In the most comprehensive, long-term study of EI applications, Lawler and his colleagues at the Center for Effective Organizations at the University of Southern California have surveyed the Fortune 1000 every three years between 1987 and 2005.[5] Their data show positive trends in EI use among these firms over that time period, including both a growing number of firms applying EI and a greater percentage of the workforce included in such programs. Despite these positive trends, however, their research reveals that the scope and depth of EI interventions are relatively modest. For EI interventions that don't involve large and systematic shifts in power, information, knowledge and skills, and rewards, such as suggestion systems and survey feedback, most of the Fortune 500 involve more than 20% of the workforce. But for more powerful EI interventions, fewer than 20% of the workforce is involved. Thus, although many large organizations are using EI practices, there is considerable room for their diffusion across organizations and throughout the workforce.

Similarly, EI has prospered outside of the United States. Countries using EI in western Europe include France, Germany, Denmark, Ireland, Sweden, Norway, Holland, Italy, and Great Britain.[6] Although the tremendous changes currently taking place in countries such as Russia, Bulgaria, the Philippines, and the People's Republic of China may have dampened EI efforts, several programs are actively under way.[7] Canada, Mexico, India, Australia, New Zealand, Hong Kong, and Japan also are using EI. Internationally, EI may be considered a set of processes directed at changing the structure of the work situation within a particular cultural environment and under the influence of particular values and philosophies. As a result, in some instances, EI has been promoted by unions; in others, by management. In some cases, it has been part of a pragmatic approach to increasing productivity; in other cases, it has been driven by socialist values.[8]

How Employee Involvement Affects Productivity

An assumption underlying much of the EI literature is that such interventions will lead to higher productivity. Although this premise has been based mainly on anecdotal evidence and a good deal of speculation, there is now a growing body of research findings to support that linkage.[9] Studies have found a consistent relationship between EI practices and such measures as productivity, financial performance, customer satisfaction, labor hours, and waste rates.

Attempts to explain this positive linkage traditionally have followed the idea that giving people more involvement in work decisions raises their job satisfaction and, in turn, their productivity. There is growing evidence that this satisfaction-causes-productivity premise is too simplistic and sometimes wrong.

A more realistic explanation for how EI interventions can affect productivity is shown in Figure 15.1. EI practices, such as participation in workplace decisions, can improve productivity in at least three ways.[10] First, such interventions can improve communication and coordination among employees and organizational departments, and help integrate the different jobs or departments that contribute to an overall task.

Second, EI interventions can improve employee motivation, particularly when they satisfy important individual needs. Motivation is translated into improved performance when people have the necessary skills and knowledge to perform well and when the technology and work situation allow people to affect productivity. For example, some jobs are so rigidly controlled and specified that individual motivation can have little impact on productivity.

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Third, EI practices can improve the capabilities of employees, thus enabling them to perform better. For example, attempts to increase employee participation in decision making generally include skill training in group problem solving and communication.

Figure 15.2 shows the secondary effects of EI. These practices increase employee well-being and satisfaction by providing a better work environment and a more fulfilling job. Improved productivity also can increase satisfaction, particularly when it leads to greater rewards. Increased employee satisfaction, deriving from EI interventions and increased productivity, ultimately can have a still greater impact on productivity by attracting good employees to join and remain with the organization.

In sum, EI interventions are expected to increase productivity by improving communication and coordination, employee motivation, and individual capabilities.

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They also can influence productivity by means of the secondary effects of increased employee well-being and satisfaction. Although a growing body of EI and engagement research supports these relationships,[11] there is considerable debate over the strength of the association between EI and productivity.[12] Recent data support the conclusion that relatively modest levels of EI produce moderate improvements in performance and satisfaction and that higher levels of EI produce correspondingly higher levels of performance.[13]

EMPLOYEE INVOLVEMENT APPLICATIONS

This section describes three major EI applications that vary in the amounts of power, information, knowledge and skills, and rewards that are moved downward through the organization (from least to most involvement): parallel structures, including cooperative union–management projects and quality circles; total quality management; and high-involvement organizations.

Parallel Structures

Parallel structures involve members in resolving ill-defined, complex problems and build adaptability into bureaucratic organizations.[14] Also known as "collateral structures," "dualistic structures," or "shadow structures,"[15] parallel structures operate in conjunction with the formal organization. They provide members with an alternative setting in which to address problems and to propose innovative solutions free from the existing, formal organization structure and culture. For example, members may attend periodic off-site meetings to explore ways to improve quality in their work area or they may be temporarily assigned to a special project or facility to devise new products or solutions to organizational problems. Parallel structures facilitate problem solving and change by providing time and resources for members to think, talk, and act in completely new ways. Consequently, norms and procedures for working in parallel structures are entirely different from those of the formal organization. This section describes the application steps associated with the two most common parallel structures, cooperative union–management projects and quality circles, and reviews the research on their effectiveness.

Application Stages Cooperative union–management projects and quality circle interventions fall at the lower end of the EI scale. Member participation and influence typically are restricted to making proposals and to offering suggestions for change because subsequent decisions about implementing the proposals are reserved for management. Membership in parallel structures also tends to be limited, primarily to volunteers and to numbers of employees for which there are adequate resources. Management heavily influences the conditions under which parallel structures operate. It controls the amount of authority that members have in making recommendations, the amount of information that is shared with them, the amount of training they receive to increase their knowledge and skills, and the amount of monetary rewards for participation. Because parallel structures offer limited amounts of EI, they are most appropriate for organizations with little or no history of employee participation, top-down management styles, and bureaucratic cultures.

Cooperative union–management and quality circle programs typically are implemented in the following steps:[16]

1. ***Define the Purpose and Scope.*** This first step involves defining the purpose for the parallel structure and initial expectations about how it will function. Organizational diagnosis can help clarify which specific problems and issues to address, such as productivity, absenteeism, or service quality. In addition, management training in the use

of parallel structures can include discussions about the commitment and resources necessary to implement them; the openness needed to examine organizational practices, operations, and policies; and the willingness to experiment and learn.

2. ***Form a Steering Committee.*** Parallel structures typically use a steering committee composed of acknowledged leaders of the various functions and constituencies within the formal organization. For example, in cooperative union–management projects, the steering committee would include key representatives from management, such as a president or chief operating officer, and each of the unions and employee groups involved in the project, such as local union presidents. This committee performs the following tasks:
   - Refining the scope and purpose of the parallel structure
   - Developing a vision for the effort
   - Guiding the creation and implementation of the structure
   - Establishing the linkage mechanisms between the parallel structure and the formal organization
   - Creating problem-solving groups and activities
   - Ensuring the support of senior management.

   OD practitioners can play an important role in forming the steering committee. First, they can help to establish the team and select appropriate members. Second, they can assist in developing and maintaining group norms of learning and innovation. These norms set the tone for problem solving throughout the parallel structure. Third, they can help the committee create a vision statement that refines the structure's purpose and promotes ownership of it. Fourth, they can help committee members develop and specify objectives and strategies, organizational expectations and required resources, and potential rewards for participation in the parallel structure.

3. ***Communicate with Organization Members.*** The effectiveness of a parallel structure depends on a high level of involvement from organization members. Communicating the purpose, procedures, and rewards of participation can promote that involvement. Moreover, employee participation in developing a structure's vision and purpose can increase ownership and visibly demonstrate the "new way" of working. Continued communication concerning parallel structure activities can ensure member awareness.

4. ***Create Forums for Employee Problem Solving.*** These forums are the primary means of accomplishing the purpose of the parallel learning structure. The most common forum is the employee problem-solving group. Their formation involves selecting and training group members, identifying problems for the groups to work on, and providing appropriate facilitation. Selecting group members is important because success often is a function of group membership.[17] Members need to represent the appropriate hierarchical levels, expertise, functions, and constituencies that are relevant to the problems at hand. This allows the parallel structure to identify and communicate with the formal structure. It also provides the necessary resources to solve the problems. Ad hoc committees may also be formed, as when workers and managers initiate action to address an issue of interest to the parallel organization. Ad hoc teams are typically charged with a particular task and have a limited lifetime.

   Once formed, the groups need appropriate training. This may include discussions about the vision of the parallel structure, the specific problems to be addressed, and the way those problems will be solved. As in the steering committee, group norms promoting openness, creativity, and integration need to be established.

   Another increasingly common forum is the large-group intervention described in Chapter 13. Search conferences and appreciative inquiry (AI) summits can be used to generate a variety of ideas for change, innovations, and solutions. Application 15.1 describes one example of such a process.[18] Roadway Express

Using the AI Summit to Build Union–Management Relations at Roadway Express

Roadway Express was the largest subsidiary of $2.9 billion (2001 revenues) Roadway Corp., based in Akron, Ohio (Roadway has since been acquired by Yellow). In the first three quarters of 2002, Roadway Express's operating income fell 14% to $130 million and revenue dropped 7% to $1.8 billion. In September, 2002, Roadway's biggest competitor, Consolidated Freightways, filed for bankruptcy and 15,000 Teamsters lost their jobs. Non-unionized carriers like CNF were gaining market share with lower costs and a more flexible workforce.

Roadway Express is a "less-than-truckload carrier," which means that its trucks deliver a variety of packages and freight to multiple locations for more than one customer at a time. This places tremendous pressure on the organization, its managers, and employees to effectively plan the delivery routes and loads in order to make a profit. Complicating the task, Roadway Express is heavily organized: 20,000 of its 27,000 employees belong to the Teamsters or other unions. They are paid, on average and including benefits, 5% above non-unionized competitors.

To compete in an industry in which net profit margins are less than 5% in a good year—let alone in a year when business is contracting—every one of its 27,000 employees must be a leader. "Almost two-thirds of every revenue dollar is consumed by wages and benefits," says Roadway president and COO James Staley. In comparison, Conway Transportation, a division of non-unionized CNF, only pays out 53 cents of every dollar of revenue. "There's not a lot of new technology that's going to make us more efficient. So future opportunities are going to come from our people being more involved in the business."

Persuading the Teamsters and other union members to be more efficient and breaking down a long history of hostility between workers and management was no small task. Many of the programs Staley had seen had a way of producing a short-term glow and not much lasting change. Union bosses are naturally wary of such programs and assume that efficiency is just a fancy way of saying that some workers will be laid off and the rest made to work harder. The cooperative union–management program Staley adopted paired classroom efforts to educate union members on how the organization works with a series of AI summits to generate ideas and organize change efforts.

Part of the program involved teaching workers about the industry's economics, competition, and financial status, including Roadway's income statement and operating ratios. The classes encourage employees to think and act like owners and emphasize the importance of cutting costs. The experience of one 36-year-old dockworker, a 13-year veteran and union representative, demonstrated how difficult change was going to be. The dockworker had been accused of instigating worker slowdowns and engaging in screaming matches with supervisors. At one of the business education seminars, a graph illustrating how unionized trucking companies' market share has slipped from 75% to 50% since 1990 made a powerful argument for change. "Suddenly my ability to support my wife and two children depended on the security of the company," he said. In response, he wrote a plan to improve service in his Greenville, South Carolina, facility that included teaching dockworkers to use computers to communicate with customer service reps and keep them up-to-date on the status of freight. However, the plan and its implementation also resulted in many of his coworkers labeling him as a management "suck up."

The second part of the union–management program involves the use of AI summits. The first AI summit process began at the Akron terminal and then was extended to the Winston-Salem facility in North Carolina. A steering committee of workers from across the facility was put together to plan an off-site meeting aimed at setting a course for the future. Their first task was to decide who among the terminal's employees would be invited to attend. The goal was to create a microcosm of the company, with workers from all departments and all functions and with varying degrees of empathy for Roadway's corporate objectives. A few weeks later, about a 100 employees gathered at a local Holiday Inn for the three-day off-site. Using a collaborative process, the trucking firm had begun

to engage its heavily unionized workforce in ways that hardly seemed possible just five years ago.

At the start of the AI summit, representatives from all parts of the system, workers from all functions who barely knew one another, participated. Having the whole system in the room allowed everyone to see each other, face-to-face, and increased the chances of building trust and forced people to see their collective purpose. On the AI summit's first day, participants explored their organization's "positive change core." The opening question in a round of interviews among all the participants was, "Talk about a time when you felt the most alive, the most engaged, in your job at Roadway." The wording was intentional, a signal that this wasn't going to be the usual management–labor gripe session. The second question fed off the first: "Imagine that you've woken up after being asleep for five years. What would you want Roadway to look like?" When participants paired off to discuss their responses, they made a powerful discovery. "It didn't matter what your job was," said one worker who had been a Roadway driver for 24 years, "everyone wanted the same things"—things such as sustained growth, happy customers, and job security. In short, everyone wanted a successful company.

Over the next two days, the AI summit participants moved from mission to plan. On day two, participants broke into small groups and envisioned their organization's potential for positive influence and impact: What will the company look like in 2010? What will be happening in the world outside it? What is the best outcome we can imagine? The groups then reported back to the large group, and participants began to focus on creating an organization that incorporated the positive change core into every strategy, process, and system. The result was a set of action-oriented statements of how the organization would function. On the final day, participants distilled their organizational design into a list of "inspired actions." They drew an "opportunity map" of needs and priorities and voted on which ones were most urgent. Then they organized into seven action teams. One group addressed the trust gap between management and the union. Another devised strategies to turn drivers—the Roadway employees who have the most contact with the company's customers—into de facto sales reps. Other teams would address employee communications, performance measurement and monitoring, and education. One team's efforts resulted in the distribution center saving $118,000 a year because the workers determined that trucks carrying more fuel than necessary were getting lower miles/gallon. If successful, these groups would sustain themselves long after the summit ended.

At another session in North Carolina, workers were asked to recall ideal work experience, a time when they were treated with respect, and when trucks were loaded to capacity or arrived on time. Assembled into nine groups, they were then encouraged to devise money-saving ideas. A team of short-haul drivers came up with 12 cost-cutting and revenue-generating ideas. Here is one of the most ambitious: Have each of the 32 drivers in Winston-Salem deliver just one more customer order each hour. Using management data, the drivers calculated the 288 additional daily shipments, at an average revenue of $212 each and with a 6% margin, would generate just about $1 million a year of operating profit.

The workers understand that their efforts to transform Roadway are just the beginning. As one local Teamsters boss put it, "Times have changed, if we don't work together, and smarter, we won't survive." AI summits held at Roadway over the last three years have focused on designing structures, creating faster throughput, and recasting the roles of supervisors and leadership at every level. Each involves from 200 to 400 people, and Roadway plans five more AI Summits in the next quarter, convening dockworkers, truck drivers, Teamsters, senior leaders, customers, suppliers, and partners to do strategic planning at terminals throughout the country.

Roadway Corporation reported increased revenues for the fourth quarter of 2002, up 25.7% over that of the same period the year before. More importantly, operating ratios improved significantly and the union–management programs designed to create a more efficient delivery process had delivered an estimated $35 million dollars in improvements for the quarter. Of the top terminals leading the bottom-line improvements, all were sites that had held AI Summits.

found the AI summit to be an effective way of engaging union members in solving organizational problems.

Another key resource for parallel structures is facilitation support. Although this can be expensive, it can yield important benefits in problem-solving efficiency and quality. Small groups are asked to form quickly and to solve problems by cutting through traditional hierarchical and functional boundaries. Facilitation support can help charter and build the team as well as pay special attention to processes that encourage productivity. They can help members identify and resolve problem-solving issues within groups. Similarly, large-group interventions require time, resources, and knowledge. They must be designed and facilitated well if they are to produce relevant results.

5. ***Address the Problems and Issues.*** Parallel structures solve problems by using an action research process. They diagnose specific problems, plan appropriate solutions, and implement and evaluate them. Problem solving can be facilitated when the groups and the steering committee relate effectively to each other. This permits the steering committee to direct problem-solving efforts in an appropriate manner, to acquire the necessary resources and support, and to approve action plans. It also helps ensure that the solutions and changes are linked appropriately to the formal organization. In this manner, early attempts at change will have a better chance of succeeding.
6. ***Implement and Evaluate the Changes.*** This step involves implementing appropriate organizational changes and assessing the results. Change proposals need the support of the steering committee and the formal authority structure. As changes are implemented, the organization needs information about their effects. This lets members know how successful the changes have been and if they need to be modified. In addition, feedback on changes helps the organization learn to adapt and innovate.

Results of Parallel Structure Approaches A large body of literature exists on the implementation and impact of parallel structure approaches to EI. The business and popular press are full of glowing reports about the benefit of union–management cooperative projects, quality circles, and other parallel structure interventions. For many people, especially lower-level employees, this opportunity to influence the formal organization leads to increased work satisfaction and task effectiveness.[19] Several classic case studies, including General Motors' central foundry division; the Harman plant in Bolivar and the Rockwell International plant in Battle Creek, Michigan (a joint UAW–GM effort); and the Rushton Mines in Pennsylvania support these conclusions.[20]

Early large-sample evaluations of parallel structures typically reported mixed results.[21] Over a period of at least three years, the University of Michigan's Institute for Social Research (ISR) studied eight major projects implemented during the 1970s. Although the projects showed some improvements in employee attitudes, only two projects showed improvements in productivity. The ISR researchers explained the meager productivity results in terms of the projects' mistakes. All of the projects were pioneering efforts and hardly could be expected to avoid mistakes during implementation.[22] Similarly, Ledford, Lawler, and Mohrman concluded that the existing research showed no clear positive or negative trend in the productivity effects of quality circles.[23] Although the evidence of attitudinal effects was more extensive than that of productivity effects, the studies reviewed still showed mixed results for attitudinal changes.

More recent data suggest stronger relationships between employee participation and direct performance outcomes, such as productivity, customer satisfaction, quality, and speed; profitability; and employee satisfaction.[24] A 1994 study by the Commission on the Future of Worker–Management Relations supported that conclusion. It found that systematically implemented programs often improve productivity and almost always

increase investment in employee skills and knowledge.[25] "The newer projects tend to be much better linked to the management and union hierarchies, receive better assistance from a widening circle of experienced consultants, have more realistic goals, and use more sharply focused organizational change strategies."[26]

Finally, court rulings in the early 1990s challenged the legality of some EI approaches under provisions of the National Labor Relations Act (NLRA). This law, passed by Congress in 1935, gives employees the right to form labor unions and decrees that employers must bargain in good faith with representatives of those organizations. In protecting employees' rights to collective bargaining, the NLRA precludes certain employer unfair labor practices, one of which is aimed at employer domination of a labor organization. Under the law, a committee or team of workers that meets to address issues related to wages, hours, or conditions of work can be considered a "labor organization." If management creates the team, provides it with resources, or influences it in any way, then management may be found to dominate this so-called labor organization. In two legal cases involving Electromation, Inc., and DuPont, the court ruled that in setting up employee teams or committees to address such issues as communication, cost cutting, and safety, the companies had created labor organizations and had dominated them unfairly. Although the NLRA does not outlaw EI teams per se, such interventions may be legally questionable in situations where teams address issues traditionally reserved for bargaining and where management influences or controls the teams. In response to these rulings, Congress passed legislation in 1996 to amend the NLRA. The Teamwork for Employees and Management Act of 1995 preserves legitimate EI programs without infringing on the rights of employees to bargain collectively.

Total Quality Management

Total quality management (TQM) is a more comprehensive approach to employee involvement. Also known as "continuous process improvement," "continuous quality," "lean," and "six-sigma," TQM grew out of a manufacturing emphasis on quality control and represents a long-term effort to orient all of an organization's activities around the concept of quality. Quality is achieved when organizational processes reliably produce products and services that meet or exceed customer expectations. Although it is possible to implement TQM without employee involvement, member participation in the change process increases the likelihood of sustaining the results. Quality improvement processes were popular in the 1990s, and many organizations, including Morton Salt, Weyerhaeuser, Xerox, Boeing's Airlift and Tanker Programs, Motorola, and Analog Devices, incorporated TQM interventions. Today, a continuous quality improvement capability is essential for global competitiveness.

TQM increases workers' knowledge and skills through extensive training, provides relevant information to employees, pushes decision-making power downward in the organization, and ties rewards to performance. When implemented successfully, TQM also is aligned closely with a firm's overall business strategy and attempts to direct the entire organization toward continuous quality improvement.[27]

The principles underlying TQM can be understood by examining the careers of W. Edwards Deming and Joseph M. Juran, the fathers of the modern quality movement. They initially applied statistical techniques to improve product quality at defense plants in the United States during World War II, but in an odd twist of fate, they found their ideas taking hold more in Japan than in the United States.[28] When the war ended, U.S. businesses turned to mass-production techniques and emphasized quantity over quality to satisfy postwar demand. Deming, known for his statistical and sampling expertise, was asked by General Douglas MacArthur to conduct a census of the Japanese population. During his discussions with Japanese officials and managers, he advocated a

disciplined approach of "plan–do–check–adjust" to identify and improve manufacturing processes that affected product quality. With such an approach, the Japanese could produce world-class-quality products and restore their country economically. Deming's ideas eventually were codified into the "Fourteen Points" and the "Seven Deadly Sins" of quality summarized in Table 15.1. In honor of the ideas that helped rejuvenate the Japanese economy, the Union of Japanese Scientists and Engineers (JUSE) created the Deming Award to distinguish annually the best in quality manufacturing.

At about the same time, Juran's publication of the *Quality Control Handbook* in 1951 identified two sources of quality problems: avoidable and unavoidable costs. Avoidable costs included hours spent reworking defective products, processing complaints, and scrapping otherwise useful material. Unavoidable costs included work associated with inspection and other preventive measures. He suggested that when organizations focused on unavoidable costs to maintain quality, an important opportunity was being missed, and he advocated that an organization focus on avoidable costs that could be found in any process or activity, not just in manufacturing.

The popularity of TQM in the United States can be traced to a 1980 NBC television documentary titled, "If Japan Can . . . Why Can't We?" The documentary chronicled Deming's work with the Japanese and his concern that U.S. companies would not listen to him after the war. The documentary had a powerful impact on firms facing severe competition, particularly from the Japanese, and many companies, including Ford Motor Company, General Motors, Dow Chemical, and Hughes Aircraft, quickly sought Deming's advice. Another important influence on the TQM movement in the United States was Philip Crosby's book *Quality Is Free*.[29] He showed that improved quality can lower overall costs, dispelling the popular belief that high quality means higher total costs for the organization. With fewer parts reworked, less material wasted, and less time spent inspecting finished goods, the organization's total costs actually can decline.

In 1987, Congress established the Malcolm Baldrige National Quality Award. It recognizes large and small organizations in business, education, and health care for quality

[Table 15.1]

Deming's Quality Guidelines

THE FOURTEEN POINTS	THE SEVEN DEADLY SINS
1. Create a constancy of purpose	1. Lack of constancy of purpose
2. Adopt a new philosophy	2. Emphasizing short-term profits and immediate dividends
3. End the practice of purchasing at lowest prices	3. Evaluation of performance, merit rating, or annual review
4. Institute leadership	4. Mobility of top management
5. Eliminate empty slogans	5. Running a company only on visible figures
6. Eliminate numerical quotas	6. Excessive medical costs
7. Institute on-the-job training	7. Excessive costs of warranty
8. Drive out fear	
9. Break down barriers between departments	
10. Take action to accomplish the transformation	
11. Improve constantly and forever the process of production and service	
12. Cease dependence on mass inspection	
13. Remove barriers to pride in workmanship	
14. Retrain vigorously	

achievement along seven dimensions: leadership; strategic planning; customer and market focus; measurement, analysis, and knowledge management; human resources focus; process management; and business results. The 2006 award winners were Premier, Inc., in services, MESA Products in small business, and Northern Mississippi Medical Center in health care. Competition for the award has grown enormously. Some large organizations have spent large sums to prepare for the contest; others have applied just to receive the extensive feedback from the board of examiners on how to improve quality; and still others feel compelled to apply because customers insist that they show progress in process improvement.

Another quality award is the Shingo Prize (http://www.shingoprize.org/) for business and government organizations that achieve highly efficient production methods. The 2007 award winners included plants from Mexico and the United States, representing Baxter Healthcare, Raytheon, and Takata Monterrey. Numerous states have initiated their own quality awards. At the national level, the Carey Award is given to federal agencies and the Hammer Awards are given as part of the National Performance Review for innovation and quality improvement in the federal government.

TQM is a growing industry itself, with consulting firms, university courses, training programs, and professional associations related to quality improvement diffusing rapidly across industrial nations. The quality approach is supported by at least four major associations: the American Society for Quality (ASQ; http://www.asq.org), the Association for Quality and Participation (AQP; http://www.aqp.org) (formerly the International Quality Circle Association), the American Productivity and Quality Center (APQC; http://www.apqc.org), and the International Society of Six-sigma Professionals (ISSSP; http://www.isssp.com). These associations actively support TQM by sponsoring quality training workshops and conferences and serving as clearinghouses for important information on TQM programs. The International Organization for Standardization (ISO) also supports TQM. Its ISO 9000 standard applies to quality systems, and certification requires firms to document key goals and processes, to demonstrate compliance, and to create processes for improvement.

Application Stages TQM typically is implemented in five major steps. With the exception of gaining senior management commitment, most of the steps can occur somewhat concomitantly.

1. ***Gain Long-Term Senior Management Commitment.*** This stage involves helping senior executives understand the importance of long-term commitment to TQM. Without a solid understanding of TQM and the key success factors for implementation, managers often believe that workers are solely responsible for quality. Yet only senior executives have the authority and larger perspective to address the organizationwide, cross-functional issues that hold the greatest promise for TQM's success.

   Senior managers' role in TQM implementation includes giving direction and support throughout the change process. For example, establishing organizationwide TQM generally takes three or more years, although technical improvements to the workflow can be as quick as six to eight months. Senior managers need to clarify and communicate throughout the organization a totally new orientation to producing and delivering products and services.

   The longer-term and more difficult parts of implementation, however, involve changes in the organization's support systems, such as customer service, finance, sales, and human resources. Often these systems are frozen in place by old policies and norms that can interfere with the new approach. Senior managers have to confront those practices and create new ones that support TQM and the organization's strategic orientation.

Top executives also must be willing to allocate significant resources to TQM implementation, particularly to make large investments in training. For example, as part of its Baldrige Award preparation, Motorola developed Motorola University, a training organization that teaches in 27 languages. Departments at Motorola allocate at least 1.5% of their budgets to education, and every employee must take a minimum of 40 hours of training a year. This effort supports Motorola's goal of "six-sigma" quality (a statistical measure of product quality that implies 99.9997% perfection) and of having a workforce that is able to read, write, solve problems, and do math at the seventh-grade level or above. When several business units within Motorola achieved the six-sigma target, the company demonstrated its commitment to continuously improving quality with a new target of tenfold improvement in key goals.

2. ***Train Members in Quality Methods.*** TQM implementation requires extensive training in the principles and tools of quality improvement. Depending on the organization's size and complexity, such training can be conducted in a few weeks to more than two years. Members typically learn problem-solving skills and simple statistical process control (SPC) techniques, usually referred to as the seven tools of quality. At Cedar-Sinai Hospital in Los Angeles, all employees take a three-day course on the applicability of brainstorming, histograms, flowcharts, scatter diagrams, Pareto charts, cause-and-effect diagrams, control charts, and other problem-solving procedures. This training is the beginning of a long-term process in continuous improvement. The knowledge gained is used to understand variations in organizational processes, to identify sources of avoidable costs, to select and prioritize quality improvement projects, and to monitor the effects of changes on product and service quality. By learning to analyze the sources of variation systematically, members can improve the reliability of product manufacturing or service delivery. For example, HCA's West Paces Ferry Hospital used TQM methods to reduce direct costs attributable to antibiotic waste.[30] It used flowcharts, fishbone diagrams, and Pareto charts to determine the major causes of unused intravenous preparations. Changes in the antibiotic delivery process resulted in reduced costs of antibiotics to the hospital of 44.5% and to patients of 45%.

   The recent interest in six-sigma programs has produced an additional training issue. Many of the quality improvement projects (described below) require considerable facilitation and support. To enable those projects, many organizations have committed to the development of "green belt" and "black belt" roles. These are internal consultants with specialized knowledge, skill, and experience in TQM methods that guide project team members through a specific program of process improvement.

3. ***Start Quality Improvement Projects.*** In this phase of TQM implementation, individuals and work groups apply the quality methods to identify the few projects that hold promise for the largest improvements in organizational processes. They identify output variations, intervene to minimize deviations from quality standards, monitor improvements, and repeat this quality improvement cycle indefinitely. Identifying output variations is a key aspect of TQM. Such deviations from quality standards typically are measured by the percentage of defective products or, in the case of customer satisfaction, by on-time delivery percentages or customer survey ratings. For example, VF Corporation, a leading retail apparel firm, found that retailers were out of stock on 30% of their items 100% of the time. In response, VF revamped its systems to fill orders within 24 hours 95% of the time.

   TQM is concerned not only with variations in the quality of finished products and services but also with variations in the steps of a process that produce a product or service and the levels of internal customer satisfaction. For example, Eastman

Chemical Company established a patent process improvement team to enhance the relationship between scientists and lawyers in applying for patent approvals. The team, made up of inventors, lab managers, and attorneys, doubled the number of patent attorneys and relocated their offices near the labs. Attorneys now meet with scientists during the experimental phase of research to discuss ways to increase the chances of yielding a patentable product or process. Patent submissions have increased by 60%, and the number of patents issued to the company has doubled.[31]

Based on the measurement of output variations, each individual or work group systematically analyzes the cause of variations using SPC techniques. For example, product yields in a semiconductor manufacturing plant can go down for many reasons, including a high concentration of dust particles, small vibrations in the equipment, poor machine adjustments, and human error. Quality improvement projects often must determine which of the possible causes is most responsible, and, using that information, run experiments and pilot programs to determine which adjustments will cause output variations to drop and quality to improve. Those adjustments that do reduce variations are implemented across the board. Members continue to monitor the quality process to verify improvement and then begin the problem-solving process again for continuous improvement.

4. ***Measure Progress.*** This stage of TQM implementation involves measuring organizational processes against quality standards. Knowing and analyzing the competition's performance are essential for any TQM effort because it sets minimum standards of quality, cost, and service and ensures the organization's position in the industry over the short run. For the longer term, such analytical efforts concentrate on identifying world-class performance, regardless of industry, and creating stretch targets, also known as *benchmarks*. Benchmarks represent the best in organizational achievements and practices for different processes and generally are accepted as "world class." For example, Nordstrom is considered the benchmark of customer service in the retail industry, while Disney's customer-service orientation is considered a world-class benchmark.

   The implied goal in most TQM efforts is to meet or exceed a competitor's benchmark. Alcoa's former chairman Paul H. O'Neill charged all of the company's business units with closing the gap between Alcoa and its competitor's benchmarks by 80% within two years.[32] In aluminum sheet for beverage cans, for example, Japan's Kobe Steel, Ltd., was the benchmark, and Wall Street estimated that achieving O'Neill's goal would increase Alcoa's earnings by one dollar per share. The greatest leverage for change often is found in companies from unrelated industries, however. For example, Alcoa might look to Nordstrom or Disney to get innovative ideas about customer service. Understanding benchmarks from other industries challenges an organization's thinking about what is possible and promotes what is referred to as "out-of-the-box thinking."

5. ***Rewarding Accomplishment.*** In this final stage of TQM implementation, the organization links rewards to improvements in quality. TQM does not monitor and reward outcomes that are normally tracked by traditional reward systems, such as the number of units produced. Such measures do not necessarily reflect product quality and can be difficult to replace because they are ingrained in the organization's traditional way of doing business. Rather, TQM rewards members for "process-oriented" improvements, such as increased on-time delivery, gains in customers' perceived satisfaction with product performance, and reductions in cycle time—the time it takes a product or service to be conceived, developed, produced, and sold. Rewards usually are designed initially to promote finding solutions to the organization's key problems. The linkage between rewards and process-oriented improvements reinforces the belief that continuous improvements, even

small ones, are an important part of the new organizational culture associated with TQM. According to a survey of 500 firms in four countries, conducted by Ernst and Young and the American Quality Foundation, more than half of the U.S. companies studied linked executive pay to improving quality and achieving benchmarks.[33]

TQM has continued to evolve in most industrialized countries. Six-sigma programs, although based on the principles of TQM, attempt to drive out important sources of variation and achieve near perfection in the execution of critical processes in such large organizations as GE, Motorola, May Co., and Sun Microsystems. Application 15.2 describes one such six-sigma effort at GE Financial Services.[34]

Results of Total Quality Management TQM's emergence in the United States and the variations in how it is applied across organizations have made rigorous evaluation of results difficult. A 1999 survey of the Fortune 1000 companies showed that about 75% have implemented some form of TQM.[35] Furthermore, 87% of the companies rated their TQM experience as either positive or very positive, up from 76% in 1993. The research also found that TQM is often associated with the implementation of other EI interventions. As organizations enact process improvements, they may need to make supporting changes in reward systems and work design.[36] Finally, the study revealed that TQM was positively associated with performance outcomes, such as productivity, customer service, product/service quality, and profitability, as well as with human outcomes, such as employee satisfaction and quality of work life.

In addition, much of the evidence is anecdotal. For example, although Boeing's Airlift and Tanker program won the Baldrige Award in 1998, Boeing's experience with TQM has suggested that the biggest organizational gains have come through the integration of TQM concepts with other business and strategic initiatives. TQM has helped Boeing be a better all-around company.

The U.S. Commerce Department's National Institute of Standards and Technology routinely tracks the stock performance of Baldrige Award winners compared to the Standard & Poor's 500 index. On the one hand, the Baldrige winners outperformed the S&P 500 significantly between 1994 and 1999.[37] More recently, however, of the 16 award recipients between 1994 and 2003, only one has outperformed the S&P 500. Another study of hospitals provided empirical support for the Baldrige framework.[38] Significant relationships were identified between hospitals' adherence to the Baldrige Criteria and their performance in the areas of patient and customer satisfaction, staff and work systems, and organization-specific results. However, the relationships between hospital quality systems and financial/market performance or health care outcomes were not significant. The authors recommend more longitudinal research because of the likely time lags between implementation and manifestation of financial- or health-related outcomes.

Other studies also suggest positive TQM results. In a Conference Board study of 149 large organizations, more than 30% reported improved financial performance. Similarly, a study of the 20 highest-point-scorers in the Baldrige competition reported improved employee relations, product quality, and customer satisfaction and lowered costs compared with other Baldrige applicants.[39] These results should be interpreted cautiously, however, because most of the studies lack sufficient scientific rigor.

A more balanced picture of TQM effects is provided by a study of 54 firms of different sizes, both adopters and nonadopters of TQM. It found that TQM firms significantly outperformed non-TQM firms. The source of the performance advantage was not the tools and techniques of TQM, however, but the culture, empowerment, and commitment that came from successful implementation. The study concluded that "these tacit resources, and not TQM tools and techniques, drive TQM success," and that "organizations that

application 15.2

Six-Sigma Success Story at GE Financial

GE Financial, the consumer insurance and investment arm of the General Electric Company, helps individuals create and preserve wealth, protect assets, and enhance their lifestyles through products like insurance, annuities, mutual funds, and other personal finance methods. Today's competitive environment requires that companies delight their customers and relentlessly look for new ways to exceed expectations. How does GE do this? Through six sigma. It is not a secret society, a slogan, or a cliché. Six sigma refers to a highly disciplined methodology that helps GE businesses focus on developing and delivering ever-improving products and services. Why "six sigma"? This methodology borrows the term "sigma" from statistics. In six sigma, the term describes the capability of a process to meet the key customer's requirements. The higher the sigma, the better the process. When a process fails to meet the customer's requirement, it is counted as a defect. The central idea behind six sigma is that if you can measure how many "defects" you have in a process, you can systematically figure out how to eliminate them. To illustrate how GE Financial uses six sigma, we begin with a short description of the background of GE Financial, and a description of how six sigma was applied to a typical project called "Optimization."

GE Financial is a business that grew quickly by acquiring two to three different companies annually between 1996 and 2001. Managing this growth required an enormous amount of consolidation and integration of people, technologies, and processes. Six sigma helped drive both speed and success in these areas. Recently, GE Financial recognized an opportunity to improve a critical process called *optimization*. Optimization refers to the process that routinely occurs as an insurance company manages its investments. When a customer purchases an insurance policy, their premiums are invested by the insurance company in instruments, such as bonds, of varying yields and maturities. The insurance company's goals are to pick the best combination of investments that will ensure that the premium will grow sufficiently to repay a customer's future claim and to provide a profit to the insurer. To ensure the ability to meet the investment goals, the investment managers fine-tune the portfolio. The goal of this fine-tuning, or optimization, is to maximize desirable characteristics, such as yield, while minimizing undesirable characteristics, such as credit default and interest rate risk. The project at GE Financial was focused on improving the process of how optimization of the investment portfolio occurred.

A key internal customer on the GE Financial team knew that the current optimization process could be more effective if it reflected the most current market conditions. The team measured how long it took to complete a typical cycle of optimization. The cycle time of the process, a measure of the time from the start of a process until the output was delivered to the internal customer, took, on average, 84 working days. The team realized that to meet the customer's requirement for an optimization that reflects current market condition meant they needed to reduce the cycle time from 84 days to, at most, five days. To drive the cycle down to an acceptable level, a six-sigma quality "Black Belt" (a GE Financial associate with a high level of expertise) was assigned. The Black Belt's role is similar to that of a consultant, facilitating the team through changes and providing expertise in six-sigma methodology. A brief description of the steps involved in driving the process improvement follows.

In the first phase, the Black Belt and process improvement team gathered information to understand the current process and the requirements of key stakeholders and customers. Interviews with the Chief Investment Officer and investment analysts resulted in greater understanding of the requirements for a successful project. These requirements included the previously mentioned reduction in cycle time from 84 days to five days; improving scalability by creating the ability to optimize multiple portfolios; and lastly, improving functionality by adding the ability to analyze several different types of risk.

As part of the first phase, the team also determined the project boundaries and how to allocate proper resources for an on-time project completion. Together, the customers and the improvement team reached a consensus on how to proceed. The portfolio optimization project team divided the project into three generations of related projects. For

example, the first-generation project would focus on reducing cycle time by 30% for the optimization of the investment portfolio. The latter-generation projects would then focus on improving scalability and capability, and they would require long-term technological investments in research and development. By developing a consensus definition of expectations for the project, the team defined a long-term course for improvement, based on the customer's requirements. The project team set off and determined how best to precisely measure the existing process and collect data.

Once measures were collected, the Black Belt helped the team analyze the data to identify the possible causes behind the existing cycle time for the process. While many causes were investigated, the ones that were determined to be statistically significant and had the greatest impact on cycle time were further analyzed. The in-depth analysis of the process highlighted a number of areas, including inefficient hand-offs, time lags, and repetitive steps. Through discussions with the process experts, the team identified potential root causes impacting cycle time and ultimately narrowed down to a "vital few" drivers of variation in the cycle time for the portfolio optimization.

Upon understanding the drivers of the existing cycle time, the improvement team, the stakeholders, and the process owners discussed potential improvement opportunities. Ultimately, the team devised specific improvements for each key driver. Some simply required a change in process and procedure, while others required moderate changes to systems and structures. For example, during the analysis, the team determined that different data formats drove cycle-time variation. A dollar amount may have been quoted as $100,000,000 or 100,000,000 or $100,000,000.00, depending on the source. This inconsistency forced the receiver to rework the formatting of multitudes of data prior to inputting the data into the optimization tool. This formatting inconsistency caused significant time delays and introduced a possibility for error. The solution was to clearly specify and communicate to data suppliers both the particular data requirement and the format for the data as well. To facilitate the appropriate formatting, data templates were created and distributed to the data suppliers. This was a relatively simple solution, but nonetheless it translated to significant impact on the cycle time for the process. For those changes that required a process and procedure change, the adjustments were documented and communicated. The changes to systems and structures required that well-defined project plans be submitted to a team from the Information Technology department for programming actual changes to the systems. Throughout this project phase, the improvement team kept the stakeholders and process owners aware of the improvement plans, timelines, and any issues that prevented goal achievement.

When various improvements were being designed and eventually completed, the team communicated the changes in process, procedure, and technology to the associates involved in this optimization process. A small-scale pilot program was developed to take associates through the new process, ensuring clear understanding of the new process and methods. The close relationship and constant communication between the team and those who worked the process was a key to the success of the project.

At the conclusion of the first project, the goal was not only achieved, but also exceeded. The 30% cycle-time reduction goal, from 84 days to 59 days, was actually exceeded, with cycle time reduced to 42 days. This result equated to a 50% reduction in cycle time. Besides that improvement, the project team had a better sense of the process and their customer's requirements. This clarity will lead to a speedier implementation of the next generations of the project where the team will seek to achieve the overall goal of a 95% reduction equating to the five-day cycle-time goal.

This case serves to illustrate three key concepts in the six-sigma problem-solving methodology. First, consistent interaction between the project team and the stakeholders and process owners allowed for realistic project expectations and set the stage for project success. Second, having appropriate project scoping and project phasing allowed for the setting of realistic goals and timelines. And third, the robust use of qualitative and quantitative data to properly identify root causes will ensure that the "right" solutions are undertaken.

acquire them can outperform competitors with or without the accompanying TQM ideology."[40] Similarly, a study of Swedish quality award winners was compared with their primary competitors. The award winners consistently outperformed their competitors on measures of sales and profitability.[41]

High-Involvement Organizations

Over the past two decades, an increasing number of employee involvement projects have been aimed at using high-invovlement work practices to create high-involvement organizations (HIOs). These interventions create organizational conditions that support high levels of employee participation. What makes HIOs unique is the comprehensive nature of their design process. Unlike parallel structures that do not alter the formal organization or TQM interventions that tend to focus on particular processes, HIOs address almost all organization features. Structure, work design, information and control systems, physical layout, personnel policies, and reward systems are designed jointly by management and workers to promote high levels of involvement and performance.

Features of High-Involvement Organizations High-involvement organizations are designed with features congruent with one another. For example, in HIOs employees have considerable influence over decisions. To support such a decentralized philosophy, members receive extensive training in problem-solving techniques, plant operation, and organizational policies. In addition, both operational and issue-oriented information is shared widely and is obtained easily by employees. Finally, rewards are tied closely to unit performance, as well as to knowledge and skill levels. These disparate aspects of the organization are mutually reinforcing and form a coherent pattern that contributes to employee involvement. Table 15.2 presents a list of compatible design elements characterizing HIOs,[42] and most such organizations include several if not all of the following features:

- **Flat, lean organization structures** contribute to involvement by pushing the scheduling, planning, and controlling functions typically performed by management and staff groups toward the shop floor. Similarly, minienterprise, team-based structures that are oriented to a common purpose or outcome help focus employee participation on a shared objective. Participative structures, such as work councils and union–management committees, create conditions in which workers can influence the direction and policies of the organization.
- **Job designs** that provide employees with high levels of discretion, task variety, and meaningful feedback can enhance involvement. They enable workers to influence day-to-day workplace decisions and to receive intrinsic satisfaction by performing work under enriched conditions. Self-managed teams encourage employee responsibility by providing cross-training and job rotation, which give people a chance to learn about the different functions contributing to organizational performance.
- **Open information systems** that are tied to jobs or work teams provide the necessary information for employees to participate meaningfully in decision making. Goals and standards of performance that are set participatively can provide employees with a sense of commitment and motivation for achieving those objectives.
- **Career systems** that provide different tracks for advancement and counseling to help people choose appropriate paths can help employees plan and prepare for long-term development in the organization. Open job posting, for example, makes employees aware of jobs that can further their development.
- **Selection** of employees for HIOs can be improved through a realistic job preview providing information about what it will be like to work in such situations. Team

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member involvement in a selection process oriented to potential and process skills of recruits can facilitate a participative climate.

- **Training** employees for the necessary knowledge and skills to participate effectively in decision making is a heavy commitment in HIOs. This effort includes education on the economic side of the enterprise, as well as interpersonal skill development. Peer training is emphasized as a valuable adjunct to formal, expert training.
- **Reward systems** can contribute to EI when information about them is open and the rewards are based on acquiring new skills, as well as on sharing gains from improved performance. Similarly, participation is enhanced when people can choose among different fringe benefits and when reward distinctions among people from different hierarchical levels are minimized.
- **Personnel policies** that are participatively set and encourage stability of employment provide employees with a strong sense of commitment to the organization. People feel that the policies are reasonable and that the firm is committed to their long-term development.

- **Physical layouts** of organizations also can enhance EI. Physical designs that support team structures and reduce status differences among employees can reinforce the egalitarian climate needed for employee participation. Safe and pleasant working conditions provide a physical environment conducive to participation.

These HIO design features are mutually reinforcing. "They all send a message to people in the organization that says they are important, respected, valued, capable of growing, and trusted and that their understanding of and involvement in the total organization is desirable and expected."[43] Moreover, these design components tend to motivate and focus organizational behavior in a strategic direction, and thus can lead to superior effectiveness and competitive advantage, particularly in contrast to more traditionally designed organizations.[44]

Application Factors At present, there is no universally accepted approach to implementing the high-involvement features described here. The actual implementation process often is specific to the situation, and little systematic research has been devoted to understanding the change process itself.[45] Nevertheless, at least two distinct factors seem to characterize how HIOs are implemented. First, implementation generally is guided by an explicit statement of values that members want the new organization to support. Typically, such values as teamwork, equity, quality, and empowerment guide the choice of specific design features. Values that are strongly held and widely shared by organization members can provide the energy, commitment, and direction needed to create HIOs. A second feature of the implementation process is its participative nature. Managers and employees take active roles in choosing and implementing the design features. They may be helped by OD practitioners, but the locus of control for the change process resides clearly within the organization. This participative change process is congruent with the high-involvement design being created. In essence, high-involvement design processes promote high-involvement organizations.

Results of High-Involvement Organizations A number of studies provide support for the high-involvement model. For example, a survey of 98 HIOs showed that about 75% of them perceived their performance relative to competitors as better than average on quality of work life, customer service, productivity, quality, and grievance rates.[46] Voluntary turnover was 2%, substantially below the national average; return on investment was almost four times greater than industry averages; and return on sales was more than five times greater. Another study of the financial performance of U.S. companies from 1972 to 1992 revealed that the five top-performing firms—Plenum Publishing, Circuit City, Tyson Foods, Wal-Mart, and Southwest Airlines—all relied heavily on EI practices for competitive advantage rather than on those factors typically associated with financial success, such as market leadership, profitable industries, unique technology, and strong barriers to entry.[47]

More recently, two studies have provided solid support for high-invovlement work practices. First, a study of more than 160 firms in New Zealand supported a positive relationship between high-involvement practices and productivity measured in terms of sales per employee.[48] Second, a study of 132 large manufacturing firms found a strong positive relationship between high-involvement work practices and labor productivity. The srength of the relationship varied, however, depending on the industry's capital intensity, R&D intensity, and growth. For example, improving high-involvement practices by one standard deviation in a high-capital-intensive industry increased sales per employee by 1%, a nontrivial amount.

Application 15.3 describes the implementation of a high-involvement process at Air Chemicals and Products.[49] The case provides a good example of the broad approach to EI. Over time, power, information, knowledge and skill, and rewards were all addressed in an effective organization development process.

application 15.3

Building a High-Involvement Organization at Air Products and Chemicals, Inc.

Chris Loyd, the vice president and general manager of the Process Systems Group Operations (OPS) division of Air Products and Chemicals, Inc. (APCI), a Fortune 200 company, believed there was too much variability in key performance metrics, such as quality, safety, and productivity, across the plants in his division. Despite communication and implementation of several quality-related initiatives, a subset of plants consistently outperformed all others. In response, Chris commissioned a diagnostic process to uncover the sources of exemplary performance in those high-performing facilities.

The OPS division was responsible for ensuring the manufacture and delivery of high-volume industrial gas products directly into customer facilities. The division provided oxygen, nitrogen, hydrogen, helium, argon, and specialty gas products in various states (e.g., liquid, gaseous) and purities to large industrial customers representing a variety of markets, including electronics, refining, pharmaceutical, steel-making, food, aerospace and many others.

The diagnosis identified four factors resulting in exceptional performance, including employee involvement, information access, technical capability, and incentives. These four factors consistently differentiated between the high performing and comparison plants. In particular, the single greatest source of variance was the level of employee involvement—or the extent to which organization members at all levels participated in decision making—in a facility. With this learning, and working with Jim Byron, an internal OD consultant, a high-involvement strategy was established to broadcast and advance involvement across the entire division. Loyd was convinced that elevating his 900-person division's business effectiveness requires pervasive employee involvement in plant management and operations.

High Involvement Strategy

The high-involvement (HI) strategy was developed to influence each of the four drivers of exceptional performance. To address EI, the organization adopted the "working with others" (WWO) training process (described below) to model and educate organization members on how to solve problems in a group setting. In addition, and in an effort to symbolize shared decision making across the division, Loyd created an HI Advisory Team. The group's mandate was to carry forward the work of promoting employee involvement. Members of the advisory team represented all workforce levels, from hourly employees through top management. The WWO training also addressed the technical capability factor by improving and reinforcing the workforce's skills and knowledge related to quality-improvement processes.

The information-access factor was addressed by increasing the organization's capability to share information. The existing intranet was enhanced to provide all workers with access to business and division information (within any constraints imposed by legal or financial regulations).

Finally, the incentive factor was addressed by adjusting the reward system of the division. A gain-sharing system was designed and implemented to encourage team performance at the local level and included incentives for plants that were serving similar customers and geographies to share information and best practices with one another.

The Role of Training in High Involvement

A central component of the HI strategy implementation effort was the WWO training sessions. Each session addressed the knowledge and skills needed to elevate involvement in the organization and used them immediately to engage employees in making improvements to the business. That is, the WWO sessions not only provided information about employee involvement and the skills and knowledge required to be effective at it, the sessions immediately applied those competencies by engaging participants in an assessment of the current state of involvement in the workplace, and in identifying and resolving a quality-improvement challenge in the participants' plant. Action teams were spawned from these sessions to follow through on making changes that were not achievable within the WWO session itself.

Beginning with Loyd's team, Byron led the WWO training sessions during the first two years of the

initiative and reached every member of the organization. Leadership demonstrated its commitment to the goal by participating in WWO sessions. As part of that work, a video was produced that displayed the leadership's use of the WWO skills and explored their own personal insights into the benefits involvement offered employees and the business.

As the WWO sessions progressed, participants who had interest in becoming WWO trainers and coaches, who would train their plants in using teamed approaches to solving local problems and to uncovering and realizing business opportunities, were identified. Within two years, every member of OPS received training in these core skills and processes and participated in making quality improvements to their business. More than 100 trainer-coaches were developed to support teaming within local organizations.

These trainer-coaches had responsibility for implementing the second phase of the HI effort, which was to conduct a regular assessment of each plant's authority and power-sharing levels against goals, roles, relationships, and procedure dimensions. The assessments identified areas for improvement, and the trainer-coaches were expected to initiate changeover plans with the assistance of a team development tool kit and additional training that was specifically designed to lead them and their teams through an improvement process. The trainer-coaches documented best practices on a regular basis and broadcast these lessons electronically to all employees through the enhanced intranet and to the HI Advisory Team, as well as distributing hard copy to local plants. They also met regionally to promote best practices and determine additional ways to increase the level of involvement and power sharing as a means of delegating more management of plant operations lower down the organization.

As the WWO and problem-solving processes unfolded, Loyd began communicating the results to the organization. For example, he included feedback on progress and accomplishment is his weekly telephone conferences with his North American subordinates and in all his presentations to employees (i.e., face-to-face, in-house TV). Two other mechanisms were used to recycle the measured results: (1) a yearly planning function in which managers reviewed the status of employee involvement within their units and developed personal targets and plans for achieving them and (2) a similar planning session focusing on the organization as a whole completed by the HI Advisory Team. To stress the importance of HI progress, the results of measurement helped determine the performance appraisal each leader received. Each manager's appraisal plan required yearly progress in increasing employee involvement within his or her plant. This strengthened the significance of the yearly management planning session, which included the half-day session in which managers worked together to analyze the results from their plant's HI assessment, uncover the causes of the results, target next year's improvement level, and generate actions they personally would take to realize their individual improvement targets.

Sustaining High Involvement

Subsequent to the rollout phase, the HI Advisory Team used the results of the HI assessments to uncover new activities that would further organizational adoption of HI. One such activity was sponsorship of an HI Idea Book that brought together the best innovations employee involvement produced in each area of business function. The book was distributed in print and electronically. It was updated and used to transfer expertise and increase the business benefits each improvement generated.

WWO sessions continued for training new hires. Apart from training new hires, the sessions were used to refresh skills, while involving participants in solving workplace problems, generating quality improvements, and uncovering and executing ways to accomplish yearly business drivers (e.g., safety improvements, cost reduction, improved customer satisfaction, reduced service interruptions). This sustained use of WWO sessions strengthened the commitment to good communications and simultaneously accomplished ever-broader use of employee involvement.

One highly significant special use of the sessions was to facilitate the integration of an entire new organization into OPS. This integration occurred fours years into the HI initiative. It required incorporating into OPS an organization that was larger (1,100 employees), performed very different work, and had a culture that was fully top-down in character.

Evaluation

Over the course of its implementation, several evaluations were made of this HI initiative. In

particular, the organization tracked the movement of HI scores across plants in the division and performed a study of the return on the investment in the HI effort. Progress was calibrated by yearly measurement of involvement using an EI scale shown in the table below. Measurement was made in each plant within OPS.

HI progress was assessed by plotting the year-to-year changes in the prevalence of employee involvement throughout the workplace. A chart depicted the percentage of plants and other operating groups that achieved HI scores of Level 3 or higher. For example, during the last four years, the percentage of units with aggregate HI scores of 3 or higher increased from 15% to over 85%. In addition, an evaluation of the benefits and costs of the program resulted in a return on investment of 9.7:1. Most of the benefits flowed from improved worker productivity and other workplace improvements that were generated by the WWO sessions.

When Chris Loyd retired, he commented, "When I think about the most significant changes over the last 20 years, I think HI was the most important change we made. The technology changes were not as critical and the organizational restructurings often had little effect, but the HI changes will stay with us forever. In fact the HI training and its acceptance has been a foundation that has allowed us to make all other changes."

Levels of High Involvement

LEVEL OF HI ADOPTION	DESCRIPTION
I	Managers use a top-down approach and emphasize direction of the workforce. They are either unaware of the HI strategy or doubt its value. The employee's involvement is limited to doing assigned work, and workers see themselves as "hired hands." Employees have limited access to information.
II	Managers use a top-down approach, but employees are asked to provide input concerning business issues that are outside their immediate assignments. Managers are aware of HI and are willing to experiment with its use in accomplishing business objectives. Employees see themselves as having some say over the content of their work and workplace. They have some access to some organizational information as well as data that are relevant to their work.
III	Managers use a participative approach that engages employees in thinking through options, recommending actions, and assessing accomplishment. Management still makes the final decisions but is convinced of the importance of involving employees in addressing business issues. Employees see themselves as advising on the business through their participation in problem-solving teams and special task forces. The employee's knowledge about the workplace is expanded to provide an informed basis for team problem solving.
IV	Management delegates decision-making authority to work teams that are empowered to manage their assigned goals and are involved in every aspect of business management and operations. Management is convinced of the importance of HI for accomplishing business objectives and has begun to redefine its role as to enable personnel rather than to direct them. Employees feel they have a direct stake in the organization's success. Each employee has access to all information about the workplace so that they can participate fully in defining and accomplishing its objectives.

V Management defines itself as partners with employees on one team dedicated to defining and achieving business goals. Managers position themselves to enable the free and collaborative enterprise of the team. Employees experience ownership for the business and a personal commitment to ensuring its success. Work unit personnel operate as a self-led team, configuring themselves as needed to define and achieve corporate purposes and to coordinate with other work teams. Each employee has access to all information about the workplace except that information restricted by law.

SUMMARY

This chapter described employee involvement interventions. These technostructural change programs are aimed at moving organization decision making downward to improve responsiveness and performance and to increase member flexibility, commitment, and satisfaction. Different approaches to EI can be described by the extent to which power, information, knowledge and skills, and rewards are shared with employees.

The relationship between EI and productivity can be oversimplified. Productivity can be increased through improved employee communication, motivation, and skills and abilities. It also can be affected through increased worker satisfaction, which in turn results in productive employees joining and remaining with the organization.

Major EI interventions are parallel structures, including cooperative union–management projects and quality circles, TQM, and high-involvement designs. The results of these approaches tend to be positive, and the quality of research supporting these interventions is increasing.

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16

Work Design

This chapter is concerned with work design—creating jobs and work groups that generate high levels of employee fulfillment and productivity. This technostructural intervention can be part of a larger employee involvement application, or it can be an independent change program. Work design has been researched and applied extensively in organizations. Recently, organizations have tended to combine work design with formal structure and supporting changes in goal setting, reward systems, work environment, and other performance management practices. These organizational factors can help structure and reinforce the kinds of work behaviors associated with specific work designs. (How performance management interventions can support work design is discussed in Chapter 17.)

This chapter examines three approaches to work design. First, the engineering approach focuses on efficiency and simplification, and results in traditional job and work-group designs. Traditional jobs involve relatively routine and repetitive forms of work, where little interaction among people is needed to produce a service or product. Call center operators, data-entry positions, and product support representatives are examples of this job design. Traditional work groups are composed of members performing routine yet interrelated tasks. Member interactions are typically controlled by rigid work flows, supervisors, and schedules, such as might be found on assembly lines.

A second approach to work design rests on motivational theories and attempts to enrich the work experience. Job enrichment involves designing jobs with high levels of meaning, discretion, and knowledge of results. A well-researched model focusing on job attributes has helped clear up methodological problems with this important intervention.

The third and most recent approach to work design derives from sociotechnical systems methods, and seeks to optimize both the social and the technical aspects of work systems. This method has led to a popular form of work design called "self-managed teams," which are composed of multi-skilled members performing interrelated tasks. Members are given the knowledge, information, and power necessary to control their own task behaviors with relatively little external control. New support systems and supervisory styles are needed to manage them.

The chapter describes each of these perspectives on work design, and then presents a contingency framework for integrating the approaches based on personal and technical factors in the workplace. When work is designed to fit these factors, it is both satisfying and productive.

THE ENGINEERING APPROACH

The oldest and most prevalent approach to designing work is based on engineering concepts and methods. It proposes that the most efficient work designs can be determined by clearly specifying the tasks to be performed, the work methods to be used, and the work flow among individuals. The engineering approach is based on the pioneering work of Frederick Taylor, the father of scientific management. He developed methods for analyzing and designing work and laid the foundation for the professional field of industrial engineering.[1]

The engineering approach scientifically analyzes workers' tasks to discover those procedures that produce the maximum output with the minimum input of energies and resources.[2] This generally results in work designs with high levels of specialization and specification. Such designs have several benefits: They allow workers to learn tasks rapidly; they permit short work cycles so performance can take place with little or no mental effort; and they reduce costs because lower-skilled people can be hired and trained easily and paid relatively low wages.

The engineering approach produces two kinds of work design: traditional jobs and traditional work groups. When the work can be completed by one person, such as with bank tellers and telephone operators, traditional jobs are created. These jobs tend to be simplified, with routine and repetitive tasks having clear specifications concerning time and motion. When the work requires coordination among people, such as on automobile assembly lines, traditional work groups are developed. They are composed of members performing relatively routine yet related tasks. The overall group task is typically broken into simpler, discrete parts (often called jobs). The tasks and work methods are specified for each part, and the parts are assigned to group members. Each member performs a routine and repetitive part of the group task. Members' separate task contributions are coordinated for overall task achievement through such external controls as schedules, rigid work flows, and supervisors.[3] In the 1950s and 1960s, this method of work design was popularized by the assembly lines of American automobile manufacturers and was an important reason for the growth of American industry following World War II.

The engineering approach to job design is less an OD intervention than a benchmark in history. Critics of the approach argue that the method ignores workers' social and psychological needs. They suggest that the rising educational level of the workforce and the substitution of automation for menial labor point to the need for more enriched forms of work in which people have greater discretion and are more challenged. Moreover, the current competitive climate requires a more committed and involved workforce able to make online decisions and to develop performance innovations. Work designed with the employee in mind is more humanly fulfilling and productive than that designed in traditional ways. However, it is important to recognize the strengths of the engineering approach. It remains an important work design intervention because its immediate cost savings and efficiency can be measured readily, and because it is well understood and easily implemented and managed.

THE MOTIVATIONAL APPROACH

The motivational approach to work design views the effectiveness of organizational activities primarily as a function of member needs and satisfaction, and seeks to improve employee performance and satisfaction by enriching jobs. The motivational method provides people with opportunities for autonomy, responsibility, closure (that is, doing a complete job), and performance feedback. Enriched jobs are popular in the United States at such companies as Wells Fargo, The Hartford, and Hewlett-Packard.

The motivational approach usually is associated with the research of Herzberg and of Hackman and Oldham. Herzberg's two-factor theory of motivation proposed that certain attributes of work, such as opportunities for advancement and recognition, which he called motivators, help increase job satisfaction.[4] Other attributes, which Herzberg called hygiene factors, such as company policies, working conditions, pay, and supervision, do not produce satisfaction but rather prevent dissatisfaction—important contributors because only satisfied workers are motivated to produce. Successful job enrichment experiments at AT&T, Texas Instruments, and Imperial Chemical Industries helped to popularize job enrichment in the 1960s.[5]

Herzberg's motivational and hygiene factors are intuitively appealing. However, they are difficult to put into operation and measure, and that makes implementation and evaluation of the theory difficult. Furthermore, important worker characteristics that can affect whether people will respond favorably to job enrichment were not included in his theory. Finally, Herzberg's failure to involve employees in the job enrichment process itself does not suit most OD practitioners today. Consequently, a second, well-researched approach to job enrichment has been favored. It focuses on the attributes of the work itself and has resulted in a more scientifically acceptable theory of job enrichment than Herzberg's model. The research of Hackman and Oldham represents this more recent trend in job enrichment.[6]

The Core Dimensions of Jobs

Considerable research has been devoted to defining and understanding core job dimensions.[7] Figure 16.1 summarizes the Hackman and Oldham model of job design. Five core dimensions of work affect three critical psychological states, which in turn produce personal and job outcomes. These outcomes include high internal work motivation, high-quality work performance, satisfaction with the work, and low absenteeism and turnover. The five core job dimensions—skill variety, task identity, task significance,

autonomy, and feedback from the work itself—are described below and associated with the critical psychological states that they create.

Skill Variety, Task Identity, and Task Significance These three core job characteristics influence the extent to which work is perceived as meaningful. Skill variety refers to the number and types of skills used to perform a particular task. Nurses in an oncology unit must be able to interact successfully with patients, patient families, and physicians. They must also juggle a variety of medical procedures, understand and apply the latest treatment therapies, and perform a variety of charting tasks. The more tasks an individual performs, the more meaningful the job becomes. When skill variety is increased by moving a person from one job to another, a form of job enrichment called job rotation is accomplished. However, simply rotating a person from one boring job to another is not likely to produce the outcomes associated with a fully enriched job.

Task identity describes the extent to which an individual performs a whole piece of work. For example, an employee who completes an entire wheel assembly for an airplane, including the tire, chassis, brakes, and electrical and hydraulic systems, has more task identity and will perceive the work as more meaningful than someone who only assembles the braking subsystem. Job enlargement, another form of job enrichment that combines increases in skill variety with task identity, blends several narrow jobs into one larger, expanded job. For example, separate machine setup, machining, and inspection jobs might be combined into one. This method can increase meaningfulness, job satisfaction, and motivation when employees comprehend and like the greater task complexity.

Task significance represents the impact that the work has on others. In jobs with high task significance, such as nursing, consulting, or manufacturing something like sensitive parts for the space shuttle, the importance of successful task completion creates meaningfulness for the worker.

Experienced meaningfulness is expressed as an average of these three dimensions. Thus, although it is advantageous to have high amounts of skill variety, task identity, and task significance, a strong emphasis on any one of the three dimensions can, at least partially, make up for deficiencies in the other two.

Autonomy This refers to the amount of independence, freedom, and discretion that the employee has to schedule and perform tasks. Salespeople, for example, often have considerable autonomy in how they contact, develop, and close new accounts, whereas assembly-line workers often have to adhere to work specifications clearly detailed in a policy-and-procedure manual. Employees are more likely to experience responsibility for their work outcomes when high amounts of autonomy exist.

Feedback from the Work Itself This core dimension represents the information that workers receive about the effectiveness of their work. It can derive from the work itself, as when determining whether an assembled part functions properly, or it can come from such external sources as reports on defects, budget variances, customer satisfaction, and the like. Because feedback from the work itself is direct and generates intrinsic satisfaction, it is considered preferable to feedback from external sources.

Individual Differences

Not all people react in similar ways to job enrichment interventions. Individual differences—among them, a worker's knowledge and skill levels, growth-need strength, and satisfaction with contextual factors—moderate the relationships among core dimensions, psychological states, and outcomes. "Worker knowledge and skill" refers to the education and experience levels characterizing the workforce. If employees lack the appropriate skills, for example, increasing skill variety may not improve a job's meaningfulness. Similarly, if workers lack the intrinsic motivation to grow and develop personally, attempts to provide them with increased autonomy may be resisted.

(We will discuss growth needs more fully in the last section of this chapter.) Finally, contextual factors include reward systems, supervisory style, and coworker satisfaction. When the employee is unhappy with the work context, attempts to enrich the work itself may be unsuccessful.

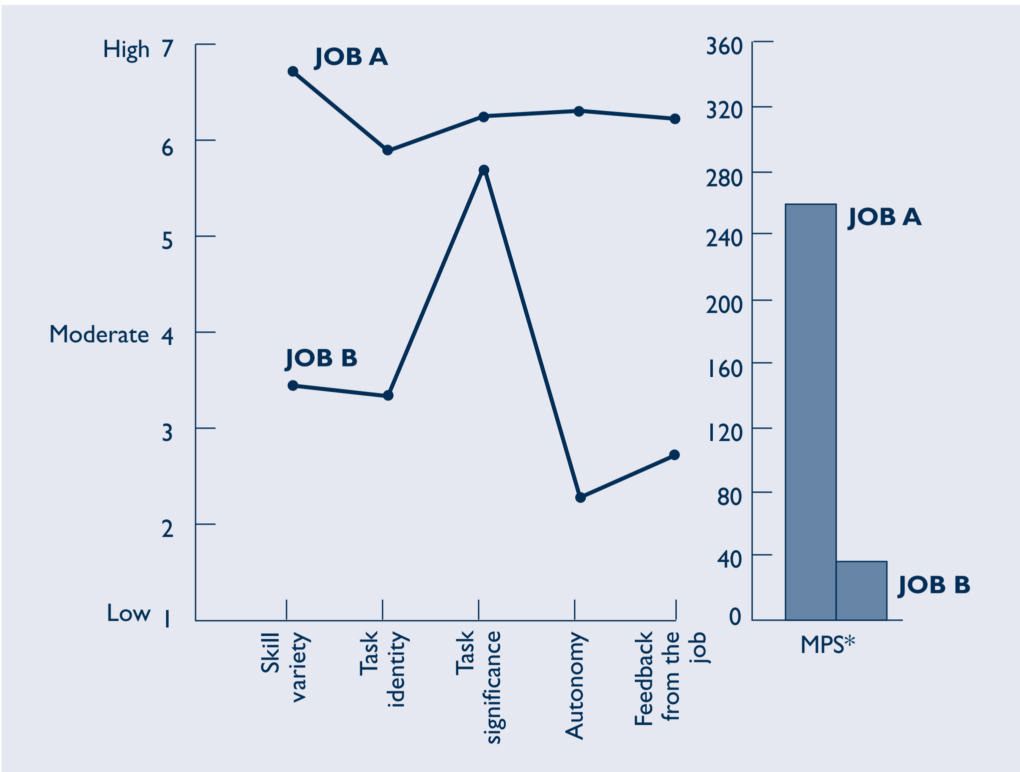
Application Stages

The basic steps for job enrichment as described by Hackman and Oldham include making a thorough diagnosis of the situation, forming natural work units, combining tasks, establishing client relationships, vertical loading, and opening feedback channels.[8]

Making a Thorough Diagnosis The most popular method of diagnosing a job is using the Job Diagnostic Survey (JDS) or one of its variations.[9] An important output of the JDS is the motivating potential score, which is a function of the three psychological states—experienced meaningfulness, autonomy, and feedback. The survey can be used to profile one or more jobs, to determine whether motivation and satisfaction are really problems or whether the job is low in motivating potential, and to isolate specific job aspects that are causing difficulties. Figure 16.2 shows two jobs. Job A in engineering maintenance is high on all of the core dimensions. Its motivating potential score is 260 (motivating potential scores average about 125). Job B, the routine and repetitive task of answering frequently asked questions in a call center, has a motivating potential score of 30. The score is well below average and would be even lower except for the job's relatively high task significance. This job could be redesigned and improved.

[Figure 16.2]

The JDS Diagnostic Profile for a "Good" and a "Bad" Job



*MPS, MOTIVATING POTENTIAL SCORE.

The JDS also indicates how ready employees are to accept change. Employees who have high growth needs will respond more readily to job enrichment than will those with low or weak growth needs. A thorough diagnosis of the existing work system should be completed before implementing actual changes. The JDS measures satisfaction with pay, coworkers, and supervision. If there is high dissatisfaction with one or more of these areas, other interventions might be more helpful prior to work redesign.

Forming Natural Work Units As much as possible, natural work units should be formed. Although there may be a number of technological constraints, interrelated task activities should be grouped together. The basic question in forming natural work units is "How can one increase 'ownership' of the task?" Forming such natural units increases two of the core dimensions—task identity and task significance—that contribute to the meaningfulness of work.

Combining Tasks Frequently, divided jobs can be put back together to form a new and larger one. In a Corning Glass Works plant, the task of assembling laboratory hotplates was redesigned by combining a number of previously separate tasks. After the change, each hotplate was completely assembled, inspected, and shipped by one operator, resulting in an increased productivity of 84%. Controllable rejects dropped from 23 to less than 1%, and absenteeism dropped from 8 to less than 1%.[10] A later analysis indicated that the change in productivity was the result of the intervention.[11] Combining tasks increases task identity and allows a worker to use a greater variety of skills. The hotplate assembler can identify with a finished product ready for shipment, and self-inspection of his or her work adds greater task significance, autonomy, and feedback from the job itself.

Establishing Client Relationships When jobs are split up, the typical worker has little or no contact with, or knowledge of, the ultimate user of the product or service. Improvements often can be realized simultaneously on three of the core dimensions by encouraging and helping workers to establish direct relationships with the clients of their work. For example, when an individual from a support pool is assigned to a particular department, feedback increases because of the additional opportunities for praise or criticism of his or her work. Because of the need to develop interpersonal skills in maintaining the client relationship, skill variety may increase. If the worker is given personal responsibility for deciding how to manage relationships with clients, autonomy is increased.

Three steps are needed to create client relationships: (1) The client must be identified; (2) the contact between the client and the worker needs to be established as directly as possible; and (3) criteria and procedures are needed by which the client can judge the quality of the product or service received and relay those judgments back to the worker. For example, even customer-service representatives and data-entry operations can be set up so that people serve particular clients. In the hotplate department, personal nametags can be attached to each instrument. The Indiana Bell Telephone Company found substantial improvements in satisfaction and performance when telephone directory compilers were given accountability for a specific geographic area.[12]

Vertical Loading The intent of vertical loading is to decrease the gap between doing the job and controlling the job. A vertically loaded job has responsibilities and controls that formerly were reserved for management. Vertical loading may well be the most crucial of the job-design principles. Autonomy is invariably increased. This approach should lead to greater feelings of personal accountability and responsibility for the work outcomes. For example, at an IBM plant that manufactured circuit boards for personal computers, assembly workers were trained to measure the accuracy and speed of production processes and to test the quality of finished products. Their work was more "whole," they were more autonomous, and the engineers who measure and test were free to design better products and more efficient ways to manufacture them.[13]

Loss of vertical loading usually occurs when someone has made a mistake. Once a supervisor steps in, the responsibility may be removed indefinitely. For example, many skilled machinists have to complete forms to have maintenance people work on a machine. The supervisor automatically signs the slip rather than allowing the machinist to either repair the machine or ask directly for maintenance support.

Opening Feedback Channels In almost all jobs, approaches exist to open feedback channels and help people learn whether their performance is remaining at a constant level, improving, or deteriorating. The most advantageous and least threatening feedback occurs when a worker learns about performance as the job is performed. In the hotplate department at Corning Glass Works, assembling the entire instrument and inspecting it dramatically increased the quantity and quality of performance information available to the operators. Data given to a manager or supervisor often can be given directly to the employee. Computers and other automated operations can be used to provide people with data not currently accessible to them. Many organizations simply have not realized the motivating impact of direct, immediate feedback.

Application 16.1 presents an example of job enrichment at the Hartford Insurance Group. The employee relations consulting services (ERCS) group provided a single, one-stop place for managers to get answers to employee relations questions, such as how to document employee discipline or how to advise employees on benefit changes, and allowed the human resource generalists to focus on the more strategic aspects of their work. The initial implementation of the ERCS produced jobs low in motivating potential and an internal organization effectiveness consultant helped to redesign the unit.[14]

Barriers to Job Enrichment

As the application of job enrichment has spread, a number of obstacles to significant job restructuring have been identified. Most of these barriers exist in the organizational context within which the job design is executed. Other organizational systems and practices, whether technical, managerial, or personnel, can affect both the implementation of job enrichment and the lifespan of whatever changes are made.

At least four organizational systems can constrain the implementation of job enrichment:[15]

1. **The technical system.** The technology of an organization can limit job enrichment by constraining the number of ways jobs can be changed. For example, long-linked technology like that found on an assembly line can be highly programmed and standardized, thus limiting the amount of employee discretion that is possible. Technology also may set an "enrichment ceiling." Some types of work, such as continuous-process production systems, may be naturally enriched so there is little more that can be gained from a job enrichment intervention.
2. **The human resource system.** Human resources systems can constrain job enrichment by creating formalized job descriptions that are rigidly defined and limit flexibility in changing people's job duties. For example, many union agreements include such narrowly defined job descriptions that major renegotiation between management and the union must occur before jobs can be significantly enriched.
3. **The control system.** Control systems, such as budgets, production reports, and accounting practices, can limit the complexity and challenge of jobs within the system. For example, a company working on a government contract may have such strict quality control procedures that employee discretion is effectively curtailed.
4. **The supervisory system.** Supervisors determine to a large extent the amount of autonomy and feedback that subordinates can experience. To the extent that supervisors use autocratic methods and control work-related feedback, jobs will be difficult, if not impossible, to enrich.

Enriching Jobs at the Hartford's Employee Relations Consulting Services Group

Founded in 1810, The Hartford Financial Services Group, Inc. is one of the largest U.S.-based providers of investment products (e.g., annuities, mutual funds, college savings plans), life insurance, group and employee benefits, automobile and homeowners' insurance, and business insurance serving millions of customers worldwide—including individuals, institutions, and businesses—through independent agents, brokers, through financial institutions, and online. With 30,000 employees and approximately $26.5 billion in income in 2006, The Hartford was ranked 78th on the 2006 Fortune 100 list.

Hartford's corporate human resources organization included about 175 HR Generalists (HRGs) that were deployed throughout the organization. In 2003, a centralized internal group known as "HR Source" was created to handle lower-level HR transactions such as basic policy, protocol, and benefit questions. The HRGs continued to address the majority of all HR-related issues that arose within their respective units, including workforce planning, change management, employee relations, and talent management. The range of responsibilities meant high levels of skill variety, the deployment to a business unit meant high levels of task identity and feedback, and the relevance of their work meant high levels of task significance. However, the HRGs were also in high demand; the number of requests often exceeded the number of important responsibilities, and this made autonomy difficult. HRGs reported a high level of stress in their work and there was some variation in their results depending on such factors as leadership expectations, the skill set of the HRG, geographic location, and so on.

In 2006, and in response to this data, the Employee Relations Consulting Services (ERCS) organization was created. This new organization centralized ER transactions so that the HRGs could become a more effective strategic partner while also providing a more consistent approach to mitigate risk and improve the level, speed, and accuracy of service. In 2007, a business decision was made to outsource the HR Source functions to an outside vendor. For questions and requests related to employee relation (ER) matters that fell outside the expertise of the outsource vendor, the case would be escalated to the internal ERCS organization.

ERCS thus handled higher complexity policy application and ER issues. The structure and organization design included 12 Employee Relations Consultants (ERCs), all of which were prior HRGs with knowledge and expertise in employee relations. In the initial start-up of ERCS, cases flowed into ERCS electronically and were assigned to the next available consultant, similar to a first-in, first-out methodology. This approach required each of the consultants to be well versed in all types of employee relations issues and maintain a high level of skill variety. However, since the initial face to the customer was through an 800 number and handled by a third-party service provider, the ERCS had the feel of a call center despite the higher-level service offering. As a result, a customer expectation emerged that their request would be addressed right away or within a very short period of time, even though the calls related to complex ER matters that often required partnership with internal legal counsel and other staff functions.

After six months, the reality of the new organization was that the majority of the cases coming into ERCS involved performance issues, terminations, and other difficult situations that required considerable research and consultation. To resolve the issues, the ERCs had to consult other functional organizations outside of their span of control, such as legal representatives, medical, and benefits. This added to the complexity, dynamics, and turnaround time of each case. Coupled with the high volume of cases received each day, a very stressful environment emerged. While the ERCs believed they were doing everything possible to satisfy the customers, the customers seemed to keep demanding more and pushing for faster turnaround times.

An internal OD consultant was called in to assist with an assessment of the change and to make any improvements as needed. The OD consultant worked closely with the Assistant Vice President, Employee Relations, and affiliated HRGs to understand the current situation. Although

the organization had received some unsolicited, informal feedback, the assistant vice president wanted a more systematic assessment. To help frame the diagnosis, Galbraith's STAR model and various six sigma tools and techniques were used to create surveys that were sent out to their customer base primarily comprised of managers (70%), employees (20%), and HRGs, recruiters, and other third party customers (representing the remaining 10%).

The results suggested that most customers were satisfied with the model and the service with some opportunities for improvement. Many of the comments complimented the ERCs for their professionalism, expert knowledge, and personal touches like the follow-up call after a case had been closed. Respondents also liked the centralized ERCS model and agreed that such a model was smoother, more consistent, and reduced the risk of litigation. However, customers did want faster case-closure times, less "phone-tag," and a single point of contact for cases like progressive discipline that required follow-up. Employees wanted someone they could talk with who would listen and empathize with them; while the HRGs felt "out of the loop" and were in need of a tool or report that would provide them with data to help them understand what types of trends were happening in their respective areas.

The OD consultant also interviewed the ERCs and observed their processes while talking with others in the organization to better understand what was working and not working. In general, although the work design could be characterized as "moderately enriched," the relative levels of skill variety, task identity, and feedback had declined. Instead of working on a broad array of HR issues and forming relationships, the ERCs were focused on individual employee relation cases. They were not working with a particular business, but rather the "first in, first out" work assignment process lowered overall task identity since the ERCs might work with the property and casualty business on one case but the life insurance business on another. Finally, unless managers or employees got back to the ERC on the outcome of the case, there was little feedback available. The volume of calls was high enough that it was hard for the ERCs to know what had happened after they had counseled the manager. In fact, following up with a customer and determining the level of satisfaction was not one of the metrics for which they were held accountable and typically only unsatisfied customers would call back to discuss it with a manager. In addition, the ERCs missed a sense of appreciation from their customers. Their work had shifted from relationship building and having an effect on the business to transactional processing and concentrating on how quickly they could answer/resolve a question.

While the centralized model made perfect sense from a business and risk-mitigation perspective, there was something missing from the system. Surprisingly, the HRGs had similar misgivings. Many of them missed being involved with some of the employee relations issues that helped them understand the pulse of the organization. As a result, the HRGs also wanted a consistent point of contact that could provide data on organizational trends. Thus, the HRGs wanted a relationship with the ERCs as much as the ERCs wanted one with them.

Based on this data, and in collaboration with the ER Assistant Vice President and the corporate HRGs, a program of redesign and implementation was established. With respect to the workflow and organizational design, the OD consultant recommended the following changes to address the key issues:

- ERCS services were reorganized by line of business and customer-type. This reorganization increased task identity and significance by associating an ERC with a particular business unit. As a result, the ERCs could develop a deeper-level expertise in and awareness of a particular business unit's operations while also monitoring trend data and proactively identifying potential problem areas with recommended solutions This had the benefit of addressing the customer's request to have an ERC more closely aligned to their business, developing an intimate link between the ERCs, the business managers and the deployed HRGs, while increasing task significance and processing feedback. ERCs working with a particular business had more opportunity to understand how their work was affecting the organization and to hear about how their work was received while still being able to maintain a consistent approach and rationale for resolving cases. It is important to note that although they appeared to be assigned to a particular line of business,

due to the tight capacity constraints, in case of a spike in volume, any of the ERCs could take on work from another line of business.

- It was also recommended that ERCS services be reorganized by case complexity. This change created new roles (e.g., senior- and junior-level ERCs and subject-matter experts), increased skill variety, and identified a viable career path. ERCS could now leverage the consultants' skill set, knowledge, and capability based on the needs of the customer and the complexity of the case. For example, junior and senior ERCs could resolve a majority of the cases that came to ERCS. However, certain cases required a very deep level of knowledge or information that existed only in other departments of The Hartford. In these cases, additional research was needed. The subject-matter experts often had the experience to resolve an issue without having to go outside ERCS and/or the relationships necessary to acquire the information from other departments quickly. By capitalizing on subject-matter experts, such cases could be flowed immediately within ERCS. This deepened the skill variety and allowed subject-matter experts to have higher task significance and to add value to the process.
- The ERCS created and enhanced a series of lateral linkages through governance and partnership councils. These forums were used to communicate the trends and other events transpiring within the business and/or within ERCS that were beneficial to the customer. Such sessions helped to close some of the communication gaps and allowed for a strengthened partnership between ERCS and the HRGs, and provided another avenue to enhance skill variety and task identity.

In combination with other changes in structure, hiring, and metrics, the work of the ERCS organization was greatly enriched. In particular, the new organizational design aligned the internal workflow with the needs of the customer. It created appropriate lateral relationships and management practices to satisfy the task identity and task significance needs of the ERCs, the lines of business, and the HRGs. While the change is still being implemented, employee satisfaction is improving, quality and case-closure time has improved, and the HRGs are anxious to receive their trend reports and to build relationships with their respective line of business ERC. Further monitoring of the effectiveness and efficiency of the new design will continue and be revisited within a year to ensure its success or need for change.

Once these implementation constraints have been overcome, other factors determine whether the effects of job enrichment are strong and lasting.[16] Consistent with the contingency approach to OD, the staying power of job enrichment depends largely on how well it fits and is supported by other organizational practices, such as training, compensation, and supervision. These practices need to be congruent with and to reinforce jobs having high amounts of discretion, skill variety, and meaningful feedback.

Results of Job Enrichment

Hackman and Oldham reported data from the JDS on more than a thousand people in about a hundred different jobs in more than a dozen organizations.[17] In general, they found that employees whose jobs were high on the core dimensions were more satisfied and motivated than were those whose jobs were low on the dimensions. The core dimensions also were related to such behaviors as absenteeism and performance, although the relationship was not strong for performance. In addition, they found that responses were more positive for people with high growth needs than for those with weaker ones. Similarly, recent research has shown that enriched jobs are strongly

correlated with mental ability.[18] Enriching the jobs of workers with low growth needs or with low knowledge and skills is more likely to produce frustration than satisfaction.

An impressive amount of research has been done on Hackman and Oldham's approach to job enrichment. In addition, a number of studies have extended and refined their approach, including a modification of the original JDS instrument to produce more reliable data[19] and the incorporation of such other moderators as the need for achievement and job longevity.[20] In general, research has supported the proposed relationships between job characteristics and outcomes, including the moderating effects of growth needs, knowledge and skills, and context satisfaction.[21] In regard to context satisfaction, for example, research indicates that employee turnover, dissatisfaction, and withdrawal are associated with dark offices, a lack of privacy, and high worker densities.[22]

Reviews of the job enrichment research also report positive effects. An analysis of 28 studies concluded that the job characteristics are positively related to job satisfaction, particularly for people with high growth needs.[23] Another review concluded that job enrichment is effective at reducing employee turnover.[24] A different examination of 28 job enrichment studies reported overwhelmingly positive results.[25] Improvements in quality and cost measures were reported slightly more frequently than improvements in employee attitudes and quantity of production. However, the studies suffered from methodological weaknesses that suggest that the positive findings should be viewed with some caution. Another review of 16 job enrichment studies showed mixed results.[26] Thirteen of the programs were developed and implemented solely by management. These studies showed significant reduction in absenteeism, turnover, and grievances, and improvements in production quality in only about half of the cases where these variables were measured. The three studies with high levels of employee participation in the change program showed improvements in these variables in all cases where they were measured. Although it is difficult to generalize from such a small number of studies, employee participation in the job enrichment program appears to enhance the success of such interventions.

Finally, a comprehensive meta-analysis of more than 75 empirical studies of the Hackman and Oldham model found modest support for the overall model.[27] Although some modifications to the model appear warranted, the studies suggested that many of the more substantive criticisms were unfounded. For example, research supported the conclusion that the relationships between core job characteristics and psychological outcomes were stronger and more consistent than the relationships between core job dimensions and work performance, although these latter relationships did exist and were meaningful. The researchers also found support for the proposed linkages among core job dimensions, critical psychological states, and psychological outcomes. It is interesting that the job feedback dimension emerged as the strongest and most consistent predictor of both psychological and behavioral work outcomes. The researchers suggested that of all job characteristics, increasing feedback had the most potential for improving work productivity and satisfaction. The role of growth-need strength as a moderator was also supported, especially between core dimensions and work performance. Clearly, research supporting the job enrichment model is plentiful. Although the evidence suggests that the model is not perfect, it does appear to be a reasonable guide to improving the motivational outcomes of work.

THE SOCIOTECHNICAL SYSTEMS APPROACH

The sociotechnical systems (STS) approach is currently the most extensive body of scientific and applied work underlying employee involvement and innovative work designs. Its techniques and design principles derive from extensive action research in both public and private organizations across diverse national cultures. This section

reviews the conceptual foundations of the STS approach and then describes its most popular application: self-managed work teams.

Conceptual Background

Sociotechnical systems theory was developed originally at the Tavistock Institute of Human Relations in London and has spread to most industrialized nations in a little more than 50 years. In Europe and particularly Scandinavia, STS interventions are almost synonymous with work design and employee involvement. In Canada and the United States, STS concepts and methods underlie many of the innovative work designs and team-based structures that are so prevalent in contemporary organizations. Intel Corporation, United Technologies, General Mills, and Procter & Gamble are among the many organizations applying the STS approach to transforming how work is designed and performed.

STS theory is based on two fundamental premises: that an organization or work unit is a combined, social-plus-technical system (sociotechnical), and that this system is open in relation to its environment.[28]

Sociotechnical System The first assumption suggests that whenever human beings are organized to perform tasks, a joint system is operating—a sociotechnical system. This system consists of two independent but related parts: a social part, including the people performing the tasks and the relationships among them; and a technical part, including the tools, techniques, and methods for task performance. These two parts are independent of each other because each follows a different set of behavioral laws. The social part operates according to biological and psychosocial laws, whereas the technical part functions according to mechanical and physical laws. Nevertheless, the two parts are related because they must act together to accomplish tasks. Hence, the term "sociotechnical" signifies the joint relationship that must occur between the social and the technical parts, and the word "system" communicates that this connection results in a unified whole.

Because a sociotechnical system is composed of social and technical parts, it follows that it will produce two kinds of outcomes: products, such as goods and services; and social and psychological consequences, such as job satisfaction and commitment. The key issue is how to design the relationship between the two parts so that both outcomes are positive (referred to as joint optimization). Sociotechnical practitioners design work and organizations so that the social and technical parts work well together, producing high levels of product and human satisfaction. This effort contrasts with the engineering approach to designing work, which focuses on the technical component, worries about fitting in people later, and often leads to mediocre performance at high social costs. The STS approach also contrasts with the motivational approach, which views work design in terms of human fulfillment and that can lead to satisfied employees but inefficient work processes.

Environmental Relationship The second major premise underlying STS theory is that such systems are open to their environments. As discussed in Chapter 5, open systems must interact with their environments to survive and develop. The environment provides the STS with necessary inputs of energy, raw materials, and information, and the STS provides the environment with products and services. The key issue here is how to design the interface between the STS and its environment so that the system has sufficient freedom to function while exchanging effectively with the environment. In what is typically called boundary management, STS practitioners structure environmental relationships both to protect the system from external disruptions and to facilitate the exchange of necessary resources and information. This enables the STS to adapt to changing conditions and to influence the environment in favorable directions.

In summary, STS theory suggests that effective work systems jointly optimize the relationship between their social and technical parts. Moreover, such systems effectively manage the boundary separating and relating them to the environment. This allows them to exchange with the environment while protecting themselves from external disruptions.

Self-Managed Work Teams

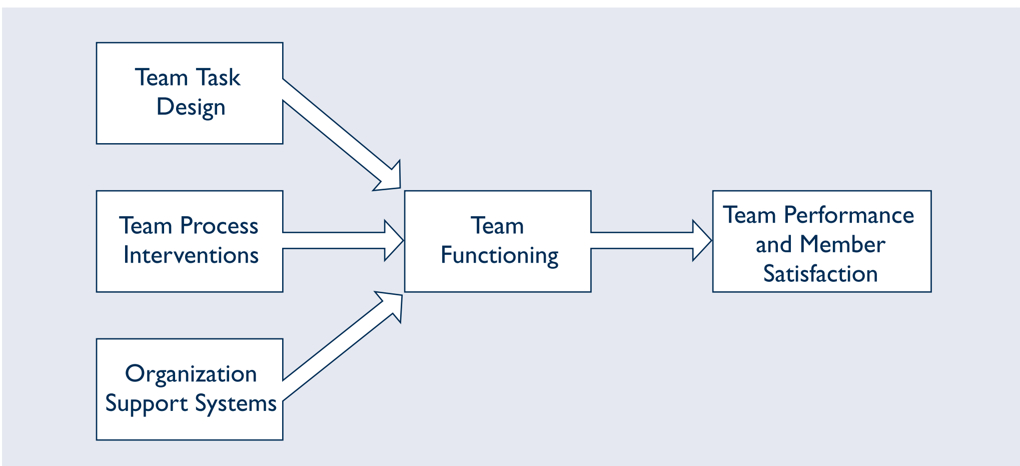
The most prevalent application of the STS approach is self-managed work teams.[29] Alternatively referred to as self-directed, self-regulating, or high-performance work teams, these work designs consist of members performing interrelated tasks.[30] Self-managed teams typically are responsible for a complete product or service, or a major part of a larger production process. They control members' task behaviors and make decisions about task assignments and work methods. In many cases, the team sets its own production goals within broader organizational limits and may be responsible for support services, such as maintenance, purchasing, and quality control. Team members generally are expected to learn many if not all of the jobs within the team's control and frequently are paid on the basis of knowledge and skills rather than seniority. When pay is based on performance, team rather than individual performance is the standard.

Self-managed work teams are being implemented at a rapid rate across a range of industries and organizations, such as Intel, Boeing, General Mills, General Electric, and Motorola. A 2006 survey of Fortune 1000 companies found that 65% of these firms were using self-managed work teams, a small decrease compared to the 2001 data, but a 40% increase from 1987.[31] Although this work design typically does not cover a majority of the workforce, this represents an impressive increase in the use of self-managed teams.

Figure 16.3 is a model explaining how self-managed work teams perform. It summarizes current STS research and shows how teams can be designed for high performance. Although the model is based mainly on experience with teams that perform the daily work of the organization (work teams), it also has relevance to other team designs, such as problem-solving teams, management teams, cross-functional integrating teams, and employee involvement teams.[32] The model shows that team performance

[Figure 16.3]

Model of Self-Managed Work Teams



and member satisfaction follow directly from how well the team functions: how well members communicate and coordinate with each other, resolve conflicts and problems, and make and implement task-relevant decisions. Team functioning, in turn, is influenced by three major inputs: team task design, team process interventions, and organization support systems. Because these inputs affect how well teams function and subsequently perform, they are key intervention targets for designing and implementing self-managed work teams.

Team Task Design Self-managed work teams are responsible for performing particular tasks; consequently, how the team is designed for task performance can have a powerful influence on how well it functions. Task design generally follows from the team's mission and goals that define the major purpose of the team and provide direction for task achievement. When a team's mission and goals are closely aligned with corporate strategy and business objectives, members can see how team performance contributes to organization success. This can increase member commitment to team goals.

Team task design links members' behaviors to task requirements and to each other. It structures member interactions and performances. Three task-design elements are necessary for creating self-managed work teams: task differentiation, boundary control, and task control.[33] Task differentiation involves the extent to which the team's task is autonomous and forms a relatively self-completing whole. High levels of task differentiation provide an identifiable team boundary and a clearly defined area of team responsibility. At Johnsonville Sausage, for example, self-managed teams comprise 7–14 members each. Each team is large enough to accomplish a set of interrelated tasks but small enough to allow face-to-face meetings for coordination and decision making. In many hospitals, self-managed nursing teams are formed around interrelated tasks that together produce a relatively whole piece of work. Thus, nursing teams may be responsible for particular groups of patients, such as those in intensive care or undergoing cancer treatments, or they may be accountable for specific work processes, such as those in the laboratory, pharmacy, or admissions office.

Boundary control involves the extent to which team members can influence transactions with their task environment—the types and rates of inputs and outputs. Adequate boundary control includes a well-defined work area; group responsibility for boundary-control decisions, such as quality assurance (which reduces dependence on external boundary regulators, such as inspectors); and members sufficiently trained to perform tasks without relying heavily on external resources. Boundary control often requires deliberate cross-training of team members to take on a variety of tasks. This makes members highly flexible and adaptable to changing conditions. It also reduces the need for costly overhead because members can perform many of the tasks typically assigned to staff experts, such as those in quality control, planning, and maintenance.

Task control involves the degree to which team members can regulate their own behavior to provide services or to produce finished products. It includes the freedom to choose work methods, to schedule activities, and to influence production goals to match both environmental and task demands. Task control relies heavily on team members having the power and authority to manage equipment, materials, and other resources needed for task performance. This "work authority" is essential if members are to take responsibility for getting the work accomplished. Task control also requires that team members have accurate and timely information about team performance to allow them to detect performance problems and make necessary adjustments.

Task control enables self-managed work teams to observe and control technical variances as quickly and as close to their source as possible. Technical variances arise from the production process and represent significant deviations from specific goals or

standards. In manufacturing, for example, abnormalities in raw material, machine operation, and work flow are sources of variance that can adversely affect the quality and quantity of the finished product. In service work, out-of-the-ordinary requests, special favors or treatment, or unique demands create variances that can place stress on the process. Technical variances traditionally are controlled by support staff and managers, but this can take time and add greatly to costs. Self-managed work teams, on the other hand, have the freedom, skills, and information needed to control technical variances online when they occur. This affords timely responses to production problems and reduces the amount of staff overhead needed.

Team Process Interventions A second key input to team functioning involves team process interventions. As described in Chapter 12, teams may develop ineffective social processes that impede functioning and performance, such as poor communication among members, dysfunctional roles and norms, and faulty problem solving and decision making. Team process interventions, such as process consultation and team building, can resolve such problems by helping members address process problems and moving the team to a more mature stage of development. Because self-managed work teams need to be self-reliant, members generally acquire their own team process skills. They may attend appropriate training programs and workshops or they may learn on the job by working with OD practitioners to conduct process interventions on their own teams. Although members' process skills generally are sufficient to resolve most of the team's process problems, OD experts occasionally may need to supplement the team's skills and help members address problems that they are unable to resolve.

Organization Support Systems The final input to team functioning is the extent to which the larger organization is designed to support self-managed work teams. The success of such teams clearly depends on support systems that are quite different from traditional methods of managing.[34] For example, a bureaucratic, mechanistic organization is not highly conducive to self-managed teams. An organic structure, with flexibility among units, relatively few formal rules and procedures, and decentralized authority, is much more likely to support and enhance the development of self-managed work teams. This explains why such teams are so prevalent in high-involvement organizations (described in Chapter 15). Their different features, such as flat, lean structures, open information systems, and team-based selection and reward practices, all reinforce teamwork and responsible self-management.

A particularly important support system for self-managed work teams is the external leadership. Self-managed teams exist along a spectrum ranging from having only mild influence over their work to near-autonomy. In many circumstances, such teams take on a variety of functions traditionally handled by management. These can include assigning members to individual tasks, determining the methods of work, scheduling, setting production goals, and selecting and rewarding members. These activities do not make external supervision obsolete, however. That leadership role usually is changed to two major functions: working with and developing team members, and assisting the team in managing its boundaries.[35]

Working with and developing team members is a difficult process and requires a different style of managing than do traditional systems. The team leader (often called a team facilitator) helps team members organize themselves in a way that allows them to become more independent and responsible. He or she must be familiar with team-building approaches and must assist members in learning the skills to perform their jobs. Recent research suggests that the leader needs to provide expertise in self-management.[36] This may include encouraging team members to be self-reinforcing about high performance, to be self-critical of low performance, to set explicit performance goals, to evaluate goal achievement, and to rehearse different performance strategies before trying them.

If team members are to maintain sufficient autonomy to control variance from goal attainment, the leader may need to help them manage team boundaries. Where teams have limited control over their task environment, the leader may act as a buffer to reduce environmental uncertainty. This can include mediating and negotiating with other organizational units, such as higher management, staff experts, and related work teams. Research suggests that better managers spend more time in lateral interfaces.[37]

These new leadership roles require new and different skills, including knowledge of sociotechnical principles and group dynamics, understanding of both the task environment and the team's technology, and ability to intervene in the team to help members increase their knowledge and skills. Leaders of self-managed teams also should have the ability to counsel members and to facilitate communication among them.

Many managers have experienced problems trying to fulfill the complex demands of leading self-managed work teams. The most typical complaints mention ambiguity about responsibilities and authority, lack of personal and technical skills and organizational support, insufficient attention from higher management, and feelings of frustration in the supervisory job.[38] Attempts to overcome these problems have been made in the following areas:[39]

1. **Recruitment and selection.** Recruitment has been directed at selecting team leaders with a balanced mixture of technical and social skills. Those with extensive technical experience have been paired with more socially adept leaders so that both can share skills and support each other.
2. **Training.** Extensive formal and on-the-job training in human relations, group dynamics, and leadership styles has been instituted for leaders of self-managed work teams. Such training is aimed at giving leaders concepts for understanding their roles, as well as hands-on experience in team building, process consultation, and third-party intervention (see Chapter 12).
3. **Evaluation and reward systems.** Attempts have been made to tie team leader rewards to achievements in team development. Leaders prepare developmental plans for individual workers and the team as a whole, and set measurable benchmarks for progress. Performance appraisals of leaders are conducted within a group format, with feedback supplied by team members, peers, and higher-level management.
4. **Leadership support systems.** Leaders of self-managed work teams have been encouraged to develop peer support groups. Team leaders can meet off-site to share experiences and to address issues of personal and general concern.
5. **Use of freed-up time.** Team leaders have been provided with a mixture of strategies to apply their talents beyond the immediate work team. A team leader has more time when the team has matured and taken on many managerial functions. In those cases, team leaders have been encouraged to become involved in such areas as higher-level planning and budgeting, companywide training and development, and individual career development.

Application Stages

STS work designs have been implemented in a variety of settings, including manufacturing firms, hospitals, schools, and government agencies. Although the specific implementation strategy is tailored to the situation, a common method of change underlies many of these applications. It generally involves high worker participation in work design and implementation. Such participative work design allows employees to translate their special knowledge of the work situation into relevant designs, and employees with ownership over the design process are likely to be highly committed to implementing the outcomes.[40]

STS applications generally proceed in six steps:[41]

1. **Sanctioning the Design Effort.** At this step, workers receive the necessary protection and support to diagnose their work system and to create an appropriate work design. In many unionized situations, top management and union officials jointly agree to suspend temporarily the existing work rules and job classifications so that employees have the freedom to explore new ways of working. Management also may provide workers with sufficient time and external help to diagnose their work system and devise alternative work structures. In cases of redesigning existing work systems, normal production demands may be reduced during the redesign process. Also, workers may be given some job and wage security so that they feel free to try new designs without fear of losing their jobs or money.
2. **Diagnosing the Work System.** This step includes analyzing the work system to discover how it is operating. Knowledge of existing operations (or of intended operations, in the case of a new work system) is the basis for creating an appropriate work design. STS practitioners have devised diagnostic models applicable to work systems that make products or deliver services. The models analyze a system's technical and social parts and assess how well the two fit each other. The task environment facing the system also is analyzed to see how well it is meeting external demands, such as customer quality requirements.
3. **Generating Appropriate Designs.** Based on the diagnosis, the work system is redesigned to fit the situation. Although this typically results in self-managed work teams, it is important to emphasize that the diagnosis may reveal that tasks are not very interdependent and that an individual-job work design, such as an enriched job, might be more appropriate. Two important STS principles guide the design process.

   The first principle, compatibility, suggests that the process of designing work should fit the values and objectives underlying the approach. For example, the major goals of STS design are joint optimization and boundary management. A work-design process compatible with those objectives would be highly participative, involving those having a stake in the work design, such as employees, managers, engineers, and staff experts. They would jointly decide how to create the social and technical components of work, as well as the environmental exchanges. This participative process increases the likelihood that design choices will be based simultaneously on technical, social, and environmental criteria. How well the compatibility guideline is adhered to can determine how well the work design subsequently is implemented.[42]

   The second design principle is called minimal critical specification. It suggests that STS designers should specify only those critical features needed to implement the work design. All other features of the design should be left free to vary with the circumstances. In most cases, minimal critical specification identifies what is to be done, not how it will be accomplished. This allows employees considerable freedom to choose work methods, task allocations, and job assignments to match changing conditions.

   The output of this design step specifies the new work design. In the case of self-managed teams, this includes the team's mission and goals, an ideal work flow, the skills and knowledge required of team members, a plan for training members to meet those requirements, and a list of the decisions the team will make now as well as the ones it should make over time as members develop greater skills and knowledge.
4. **Specifying Support Systems.** As suggested above, organizational support systems may have to be changed to support new work designs. When self-managed teams are designed, for example, the basis for pay and measurement systems may

need to change from individual to team performance to facilitate necessary task interaction among workers.

5. **Implementing and Evaluating the Work Designs.** This stage involves making necessary changes to implement the work design and evaluating the results. For self-managing teams, implementation generally requires a great amount of training so that workers gain the necessary technical and social skills to perform multiple tasks and to control task behaviors. It also may entail developing the team through various team-building and process-consultation activities. OD consultants often help team members carry out these tasks with a major emphasis on helping them gain competence in this area. Evaluation of the work design is necessary both to guide the implementation process and to assess the overall effectiveness of the design. In some cases, the evaluation information suggests the need for further diagnosis and redesign efforts.
1. **Continual Change and Improvement.** This last step points out that STS designing never is complete but rather continues as new things are learned and new conditions are encountered. Thus, the ability to design and redesign work continually needs to be built into existing work designs. Members must have the skills and knowledge to assess their work unit continually and to make necessary changes and improvements. From this view, STS designing rarely results in a stable work design but instead provides a process for modifying work continually to fit changing conditions and to make performance improvements.

Application 16.2 describes how one of ASEA Brown Boveri's plants implemented self-managed teams.[43] It clearly demonstrates the importance of aligning the systems to support self-management as well as the process of gradually increasing the team's autonomy and responsibility.

Results of Self-Managed Teams

Research on STS design efforts is extensive. For example, a 1994 bibliography by researchers at Eindhoven University of Technology in The Netherlands found 3,082 English-language studies.[44] As with reports on job enrichment, most of the published reports on self-managed teams show favorable results.[45]

A series of famous case studies at General Foods' Gaines Pet Food/Topeka plant, the Saab-Scania engine assembly plant, and Volvo's Kalmar and Uddevalla plants provide one set of positive findings.[46] In each case, productivity and other technical measures of efficiency and quality improved significantly. In addition, measures of job satisfaction and other attitudes also improved. Perhaps most importantly, these improvements were sustained over time.

A second set of studies supporting the positive impact of sociotechnical design teams comes from research comparing self-managed teams with other interventions. For example, a longitudinal comparative study of self-managed teams and job enrichment conducted in a Midwestern U.S. food-processing plant found that one year after start-up, production was 133% higher than originally planned, start-up costs were 7.7% lower than expected, and employee attitudes were extremely positive about the change.[47]

This study also permitted a comparison of self-managing groups with job enrichment, which occurred in another department of the company. Both interventions included survey feedback. The self-managing project involved technological changes, whereas the job enrichment program did not. The results showed that the interventions had similar positive effects in terms of employee attitudes, but only the self-managing project had significant improvements in productivity and costs. Thus, the productivity improvements may not be attributed solely to the self-managed teams but might also be the result of the technological changes.

application 16.2

Moving to Self-Managed Teams at ABB

The ASEA Brown Boveri (ABB) Industrial Systems plant in Columbus, Ohio, was part of ABB's Industrial and Building Systems division. It produced low-volume, made-to-order industrial process and quality control systems. A single system included mechanical and hydraulic machinery, high-speed computer processors, and high-speed/high-accuracy measurement sensors that incorporated infrared, microwave, and other optical technologies packaged for severe environments. Customers for these control systems included the pulp and paper, chemical, petrochemical, pharmaceutical, metals, textiles, and food industries.

Overall demand for industrial control systems expanded steadily during the 1980s. But in 1990, demand dropped sharply and competition from international manufacturers increased. Ken Morris became vice president of manufacturing at the Columbus plant in 1991. Unfortunately, Morris arrived at a time when the manufacturing performance at the Columbus plant had not kept pace with the global market. Overhead costs above industry averages and low quality of suppliers' products combined to produce a net loss for 4 straight years. Morris recognized another sign of trouble when he repeatedly observed employees from different departments meeting separately with the same customers and not communicating with the other departments about the discussions they had with their mutual customers. "We had a silo-based organization. No one knew what the other was doing," Morris explained.

Based on this and other information, Morris's original idea was to create more flexibility for employees to work with customers and suppliers. "I had done a lot of reading about teams," he said, "and I knew that a lot of folks in the industry were talking about moving to total quality management or teams over the next few years. But I wasn't interested in teaming for teaming's sake. Whatever we did had to keep us alive, and I didn't have years to do it. I had to do something now." Morris laid out a change plan that would radically reshape the structure and systems that governed the Columbus plant. At the center of the reorganization was the concept of the high-performance work system. Eventually, 19 teams—12 production process teams and seven continuous improvement teams—would be the fundamental work units of the 186-employee plant.

ABB's move to a high-performance, team-based work system proceeded in a stepwise fashion, each step building on the previous one. Morris began the effort by preparing both his leadership team and the plant's employees for the coming changes. An off-site meeting was used to educate members of his leadership staff on the basics of team-based organizations and to gain their ownership in the plant's new direction. One output of the retreat was the formation of a "high-performance work system" design team that worked for six months to create a change plan. Another important output was the new mission for the ABB Columbus plant: "To become recognized as the best time-based competitor in the world" by developing a customer-focused environment with a passion for process management and waste reduction, and a desire to unleash the power of people. Morris also began to hold quarterly meetings with all plant employees and to share information with them about competitors, the industry, planning, and financial conditions. For most employees the inaugural quarterly meeting was the first time they had heard that the plant was operating at a loss.

Implementing the high-performance work system at ABB Columbus was formally initiated by adopting a set of industry benchmarks for products and processes in 1991. These quality measurements became the first goals for the plant's production system. In this way, Morris and his team hoped to get the manufacturing and supply processes under control. Implementation continued with technical changes in the work flow, including adoption of a just-in-time production process and installation of a new, fully integrated management information system. These changes dramatically increased the interdependency between steps in the work flow. The organization structure was changed from functional silos to a process-based structure in November 1993.

As the structure evolved, ABB emphasized training as a key to its success. "Education and training shifted us to the paradigm we wanted. Without that investment, we would have only seen incremental improvements," said Morris.

"The quantum improvements we achieved were possible because we created a new vision of what was possible and then taught ourselves how to achieve it." Every ABB employee participated in a rigorous program of high-performance work systems, just-in-time manufacturing systems, conflict resolution, and ISO 9000 standards and processes. As noted by human resources internal consultant Mari Jo Cary, "The high-performance work system created a business environment to produce a quality product and on-time delivery at the right price for our customers." Plant employees continued to spend 4.5% of their time on training and education. These preparatory changes allowed for establishing the first process teams and process improvement teams following the restructuring.

The movement toward a team-based organization was slow and frustrating. The changes came at a time of falling production that increased unit costs and of rising turnover at all levels of the organization. Furthermore, negative attitudes toward teams surfaced in the 1992 employee survey. Employee complaints continued to rise about the frequency of meetings, team goals that seemed unreachable, and the time it took to operate as a team.

The 12 process teams were formed around three key product lines and five support processes, such as supply management, engineering, metal fabrication, traffic management, and financial and human resources support. Each team consisted of 6–15 members who, in addition to their manufacturing responsibilities, could serve as a coordinator for one of the seven team functions: time management, quality, safety, just-in-time processes, supply management, communications, and continuous improvement. Each team was chartered by its process owner—a senior-level manager for that product line who was responsible for two or three teams. Each charter described the team's purpose and vision, the roles and responsibilities of team members, processes for selection and dismissal, and norms of team member behavior.

While the production and support process teams were charged with meeting the benchmark standards for cycle time, quality, and cost, the seven process improvement teams worked to enhance efficiency and effectiveness within and across the production process teams. For example, a supply management process improvement team initiated a supplier excellence certification process. Each supplier was rated on a "report card." Those who didn't rate well were eliminated from the list of eligible suppliers; those who rated well received contracts. Eventually, continuous improvement in the supply management process led to elimination of all inspections of incoming material, the direct delivery of supplies to the point of use rather than into inventory, the elimination of a 115,000-square-foot storage facility, and the creation of a planner/supply management expert role for each production process team.

A key feature of ABB's transition to a fully self-managed team environment was the teams' gradual adoption of more and more responsibility and decision-making authority. ABB developed 24 "points of implementation," outlining responsibilities common to all teams. These 24 key team functions ranged from simple tasks (e.g., housekeeping, equipment maintenance, and control of scrap material), to more difficult functions (e.g., vacation scheduling, control of materials and inventory, and job design), to advanced team functions (e.g., conflict resolution, selection of new members, and, ultimately, compensation decisions). Initially, all teams were assigned a low level of accountability and empowerment (level 1) for each of the 24 points. At that stage, the team had little ownership for the function. Although the process owner worked with the team, accountability for team behaviors rested with that owner. Higher levels of empowerment increased the amounts of responsibility, authority, and accountability over key functions. At level 4, the team developed and implemented plans without review, and team accountability rested with team members. Boundary management and compensation decisions were shared with the process owner.

To reach the highest level of autonomy and accountability (level 4), a team first had to be introduced to the meaning and concept of the particular function. The team's next step was to take the function and create a plan to implement and perform ongoing management of that function. The third step was to demonstrate that it had the ability to implement the plan and manage the function without assistance. As the final step in becoming accountable for a function, the process owner signified that the team was fully empowered for future actions within this function. These

points of implementation laid out a clear road map for each team and provided it with clear boundaries regarding its level of autonomy, responsibility, and accountability.

By 1995, each team was completely self-managed. All functions traditionally conducted by a manager or team leader were handled by the team. Teams answered directly to their process owner and customers, and in 1996 began conducting their own performance evaluations using a 360-degree process. When the teams required knowledge or skills outside of their existing capabilities, they called upon subject-matter experts within the plant who provided support in such areas as order management, price/cost quoting, material sourcing and control, production, inventory control, product quality, packing, and invoicing.

The results of ABB's effort were impressive. By 1994, the Columbus plant had achieved the following performance improvements:

- Warranty costs had been reduced by 74%.
- Revenue generated per person was up 212%.
- Work-in-progress turnover was up 222%.
- Total cycle time had been reduced from 16.2 weeks to 4.3 weeks, a 73% reduction.
- Seven managers and 25 supervisors had been replaced with five process owners.

By 1995, the Columbus plant had posted a profit for the first time since 1990, and all key financial and performance objectives were met or exceeded. In addition, its 95.3% on-time-to-customer rating was recognized as a best-in-class benchmark, and the plant was named among Industry Week's top 10 plants.

More recently, a rigorous field experiment in a telecommunications company compared self-managed teams with traditionally designed work groups performing the same types of tasks. The study found significant differences between the two groups in job satisfaction, growth-needs satisfaction, social-needs satisfaction, and group satisfaction. Self-managing group members and higher-level managers perceived group performance as superior to traditionally managed groups. In contrast to these overall findings, however, objective measures of service quality and customer satisfaction did not differ between the two types of groups.[48]

A third set of positive results comes from reviews, or meta-analyses, of other studies. One review examined 16 studies and showed that when productivity, costs, and quality were measured, improvements occurred in more than 85% of the cases.[49] Significant reductions in employee turnover and absenteeism rates and improvements in employee attitudes were reported in about 70% of the cases where these variables were measured. Certain methodological weaknesses in the studies suggest, however, that the positive results should be viewed carefully. Another review of 12 studies of self-managed groups showed improvements in hard performance measures in about 67% of the cases where such measures were taken.[50] Both of these reviews also included job enrichment studies, as reported earlier in this chapter. The relative impact of self-managing groups seems about equal to that of job enrichment, especially when the latter includes worker participation in the design process.

Three more recent meta-analyses also provide general support for self-managed teams. In a review of all STS work-design studies conducted in the 1970s, researchers found a strong positive relationship between the installation of self-managed teams and the attitudinal and economic gains.[51] These designs were found to increase employee satisfaction; to reduce production costs through group member innovations;

and to decrease absenteeism, turnover, and accident rates. The researchers reported little evidence for claims of increased productivity primarily because of the lack of sufficient reported data. In a technical and comprehensive meta-analysis, researchers concluded that self-managed teams do produce increases in productivity and reductions in escape behavior, such as absenteeism, but that these effects varied widely. Higher results were associated with high levels of work-group autonomy, supporting changes in the reward system, interventions that did not include technological changes, and applications outside of the United States.[52] Finally, a detailed and comprehensive meta-analysis of 131 North American field experiments reported that work innovations, such as autonomous and semiautonomous work groups, were more likely to have a positive impact on financial-performance measures, including costs, productivity, and quality, than were behavioral or attitudinal variables.[53] Considerable variation in the size of the positive effect, however, led the researchers to suggest that organization change was risky. Only when other organizational features such as reward systems, information systems, and performance appraisal systems changed simultaneously was the probability of positive results increased.

Although the majority of studies report positive effects of self-managing groups, some research suggests a more mixed assessment. A field experiment studying the long-term effects of self-managed groups showed improvements in job satisfaction but no effects on job motivation, work performance, organizational commitment, mental health, or voluntary turnover.[54] The company did lower indirect overhead costs, however, by reducing the number of supervisors. This study, which received an award from the Academy of Management for quality research, concluded that the major benefits of self-managed teams are economic, deriving from the need for less supervision. Another study found that the introduction of self-managed teams into an independent insurance agency threatened the personal control and autonomy of individual employees.[55] The groups that were implemented without employee participation exerted strong pressures to follow rigid procedures. Group leaders focused on the concerns of younger, inexperienced employees and ignored older workers' requests for less red tape and more freedom. The older employees felt that the groups undermined their individual discretion, autonomy, and initiative. The study concluded that unless self-managed teams are implemented and managed properly, individual members' autonomy and motivation can be constrained inadvertently.

DESIGNING WORK FOR TECHNICAL AND PERSONAL NEEDS

This chapter has described three approaches to work design: engineering, motivational, and sociotechnical. Trade-offs and conflicts among the approaches must be recognized. The engineering approach produces traditional jobs and work groups and focuses on efficient performance. It downplays employee needs and emphasizes economic outcomes. The motivational approach designs jobs that are stimulating and demanding and highlights the importance of employee need satisfaction. Research suggests, however, that increased satisfaction may not generate improvements in productivity. Finally, the STS approach integrates social and technical aspects, but it may not be practical in all situations.

In this final section, we attempt to integrate the three perspectives by providing a contingency framework that suggests that any of the three approaches can be effective when applied in the appropriate circumstances. Work design involves creating jobs and work groups for high levels of employee satisfaction and productivity. A large body of research shows that achieving such results depends on designing work to match specific factors operating in the work setting, factors that involve the technology for producing goods and services and the personal needs of employees. When work is designed to fit or match these factors, it is most likely to be both productive and humanly satisfying.

The technical and personal factors affecting work-design success provide a contingency framework for choosing among the four different kinds of work designs discussed in the chapter: traditional jobs, traditional work groups, enriched jobs, and self-managed teams.

Technical Factors

Two key dimensions can affect change on the shop floor: technical interdependence, or the extent to which cooperation among workers is required to produce a product or service; and technical uncertainty, or the amount of information processing and decision making employees must do to complete a task.[56] In general, the degree of technical interdependence determines whether work should be designed for individual jobs or for work groups. When interdependence is low and there is little need for worker cooperation—as, for example, in field sales and call centers—work can be designed for individual jobs. Conversely, when interdependence is high and employees must cooperate—as in production processes like coal mining, assembly lines, and writing software—work should be designed for groups composed of people performing interacting tasks.

The second dimension, technical uncertainty, determines whether work should be designed for external forms of control, such as supervision, scheduling, or standardization, or for worker self-control. When technical uncertainty is low and little information has to be processed by employees, work can be designed for external control, such as might be found on assembly lines and in other forms of repetitive work. On the other hand, when technical uncertainty is high and people must process more information and make decisions, work should be designed for high levels of employee self-control, such as might be found in professional work and hospital emergency rooms.

Figure 16.4 shows the different types of work designs that are most effective, from a purely technical perspective, for different combinations of interdependence and uncertainty. In quadrant 1, where technical interdependence and uncertainty are both low, such as might be found in call centers, jobs should be designed traditionally with

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limited amounts of employee interaction and self-control. When task interdependence is high but uncertainty is low (quadrant 2), such as work occurring on assembly lines, work should be designed for traditional work groups in which employee interaction is scheduled and self-control is limited. When technical interdependence is low but uncertainty is high (quadrant 3), such as in field sales, work should be structured for individual jobs with internal forms of control, such as in enriched jobs. Finally, when both technical interdependence and uncertainty are high (quadrant 4), such as might be found in a continuous-process chemical plant, work should be designed for self-managed teams in which members have the multiple skills, discretion, and information necessary to control their interactions around the shared tasks.

Personal-Need Factors

Most of the research identifying individual differences in work design has focused on selected personal traits. Two types of personal needs can influence the kinds of work designs that are most effective: social needs, or the desire for significant social relationships; and growth needs, or the desire for personal accomplishment, learning, and development.[57] In general, the degree of social needs determines whether work should be designed for individual jobs or work groups. People with low needs for social relationships are more likely to be satisfied working on individualized jobs than in interacting groups. Conversely, people with high social needs are more likely to be attracted to group forms of work than to individualized forms.

The second individual difference, growth needs, determines whether work designs should be routine and repetitive or complex and challenging. People with low growth needs generally are not attracted to jobs offering complexity and challenge (that is, enriched jobs) but are more satisfied performing routine forms of work that do not require high levels of decision making. On the other hand, people with high growth needs are satisfied with work offering high levels of discretion, skill variety, and meaningful feedback. Performing enriched jobs allows them to experience personal accomplishment and development.

It is often difficult for OD practitioners to accept that some people have low social and growth needs, particularly in light of the social and growth values underlying much OD practice. It is important to recognize, however, that individual differences do exist. Assuming that all people have high growth needs or want high levels of social interaction can lead to recommendations for enriched work or self-managed teams when they are not warranted.

It is important to emphasize that people who have low growth or social needs are not inferior to those placing a higher value on those factors; they simply are different. It is necessary also to recognize that people can change their needs through personal growth and experience. OD practitioners must be sensitive to individual differences in work design and careful not to force their own values on others. Many consultants, eager to be seen on the cutting edge of practice, recommend self-managed teams in all situations, without careful attention to technological and personal considerations.

Figure 16.5 shows the different types of work designs that are most effective for the various combinations of social and growth needs. When employees have relatively low social and growth needs (quadrant 1), traditional jobs are most effective. When employees have high social needs but low growth needs (quadrant 2), traditional work groups, such as might be found on an assembly line, are most appropriate. These allow for some social interaction but limited amounts of challenge and discretion. When employees have low social needs but high growth needs (quadrant 3), enriched jobs are most satisfying. Here, work is designed for individual jobs that have high levels of task variety, discretion, and feedback about results. A research scientist's job is likely to be enriched, as is that of a skilled craftsperson. Finally, when employees have high

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social and growth needs (quadrant 4), work should be designed for self-managed teams that offer significant social interaction around complex and challenging tasks. A team of astronauts in a space shuttle resembles a self-managed work group, as does a group managing the control room of an oil refinery or a group of nurses in a hospital unit.

Meeting Both Technical and Personal Needs

Jointly satisfying technical and human needs to achieve work-design success is likely to occur only in limited circumstances. When the technical conditions of a company's production processes (as shown in Figure 16.4) are compatible with the personal needs of its employees (as shown in Figure 16.5), the respective work designs combine readily and can satisfy both. On General Motors' assembly lines, for example, the technology is highly interdependent but low in uncertainty (quadrant 2 in Figure 16.4). Much of the production is designed around traditional work groups in which task behaviors are standardized and interactions among workers are scheduled. Such work is likely to be productive and fulfilling to the extent that General Motors' production workers have high social needs and low growth needs (quadrant 2 in Figure 16.5).

When technology and people are incompatible—for example, when an organization has quadrant 1 technology and quadrant 4 worker needs—at least two kinds of changes can be made to design work that satisfies both requirements.[58] One strategy is to change technology or people to bring them more into line with each other. This is a key point underlying STS approaches. For example, technical interdependence can be reduced by breaking long assembly lines into more discrete groups. In Sweden, Volvo redesigned the physical layout and technology for assembling automobiles and trucks to promote self-managed teams. Modifying people's needs is more complex and begins by matching new or existing workers to available work designs. For example, companies can assess workers' needs through standardized tests and use the information gleaned from them to counsel employees and help them locate jobs compatible with their

needs. Similarly, employees can be allowed to volunteer for specific work designs—a common practice in STS projects. This matching process is likely to require high levels of trust and cooperation between management and workers, as well as a shared commitment to designing work for high performance and employee satisfaction.

A second strategy for accommodating both technical and human requirements is to leave the two components unchanged and create compromise work designs that only partially fulfill the demands of either component. The key issue is to decide to what extent one contingency will be satisfied at the expense of the other. For example, when capital costs are high relative to labor costs, such as in highly automated plants, work design is likely to favor the technology. Conversely, in many service jobs where labor is expensive relative to capital, organizations may design work for employee motivation and satisfaction at the risk of shortchanging their technology. These examples suggest a range of possible compromises based on different weightings of technical and human demands. Careful assessment of both types of contingencies and of the cost–benefit trade-offs is necessary to design an appropriate compromise work design.

Clearly, the strategy of designing work to bring technology and people more into line with each other is preferable to the compromise work-design strategy. Although the latter approach seems necessary when there are heavy constraints on changing the contingencies, in many cases those constraints are more imagined than real. The important thing is to understand the technical and personal factors existing in a particular situation and to design work accordingly. Traditional jobs and traditional work groups will be successful in certain situations (as shown in Figures 16.4 and 16.5); in other settings, enriched jobs and self-managed teams will be more effective.

SUMMARY

In this chapter, we discussed three different approaches to work design and described a contingency framework to determine the approach most likely to result in high productivity and worker satisfaction. The contingency framework reconciles the strengths and weaknesses of each approach. The engineering approach produces traditional jobs and traditional work groups. Traditional jobs are highly simplified and involve routine and repetitive forms of work, rather than coordination among people to produce a product or service. Traditional jobs achieve high productivity and worker satisfaction in situations characterized by low technical uncertainty and interdependence and low growth and social needs.

Traditional work groups are composed of members who perform routine yet interrelated tasks. Member interactions are controlled externally, usually by rigid work flows, schedules, and supervisors. Traditional work groups are best suited to conditions of low technical uncertainty but high technical interdependence. They fit people with low growth needs but high social needs.

The motivational approach produces enriched jobs involving high levels of skill variety, task identity, task significance, autonomy, and feedback from the work itself. Enriched jobs achieve good results when the technology is uncertain but does not require high levels of coordination and when employees have high growth needs and low social needs.

Finally, the STS approach is associated with self-managed teams. These groups are composed of members performing interrelated tasks. Members are given the multiple skills, autonomy, and information necessary to control their own task behaviors with relatively little external control. Many OD practitioners argue that self-managed teams represent the work design of the 2000s because high levels of technical uncertainty and interdependence are prevalent in today’s workplaces and because today’s workers often have high growth and social needs.

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City of Carlsbad, California: Restructuring the Public Works Department (A)

OVERVIEW

In 1995, the City of Carlsbad, California, an oceanfront community of about 75,000 people, was emerging from the worst recession in its history. In response to a call from the City Council and nationwide efforts to operate governments in a more businesslike manner, the City Manager led the organization through a comprehensive strategic planning process. Through highly participative methods, including focus groups and a large-group community visioning process, a new city mission and vision (Exhibit 1) and a set of values to guide decision making (Exhibit 2) were developed. In addition, several important strategic initiatives, including a new information system and a revised performance appraisal and incentive compensation process were started.

[Exhibit 1]

City of Carlsbad Mission and Vision Statement

> Our mission is to provide top-quality services to our citizens and customers in a manner that enhances the quality of life for all who live, work, and play in Carlsbad.

These strategic initiatives and the City Manager's assessment of the organization's design pointed to misalignments in the city's structure. He convened a small representative task force of managers to design a new structure. The result was a reorganization of the city into five major service areas (MSAs), such as community development, safety services (e.g., fire, police), and public works.

An evaluation of the entire strategic change effort suggested that a large majority of the

[Exhibit 2]

City of Carlsbad Values

We believe these values are important to achieve our desired future as employees for the City of Carlsbad. They are chosen freely, prized publicly, and acted upon again and again.

Integrity—An organization and workforce distinguished by sound moral and ethical character

Trust—A workplace characterized by widespread belief in the integrity, reliability, and ability of employees

Competence—A workplace characterized by employees who have the skills and training to do their jobs

Accountability—An environment characterized by employees who are willing to be responsible

Teamwork—A workplace that encourages the use of teams to accomplish organizational goals and objectives

Quality—An environment characterized by employees with passion for excellence

Empowerment—Employees who have the authority, responsibility and accountability to decide and act

internal and external stakeholders viewed the changes positively and believed that they had improved customer focus and employee commitment. The results also promised to reduce operating costs and to create an organization that could absorb the expected growth in demand for new and better services.

The Public Works Department

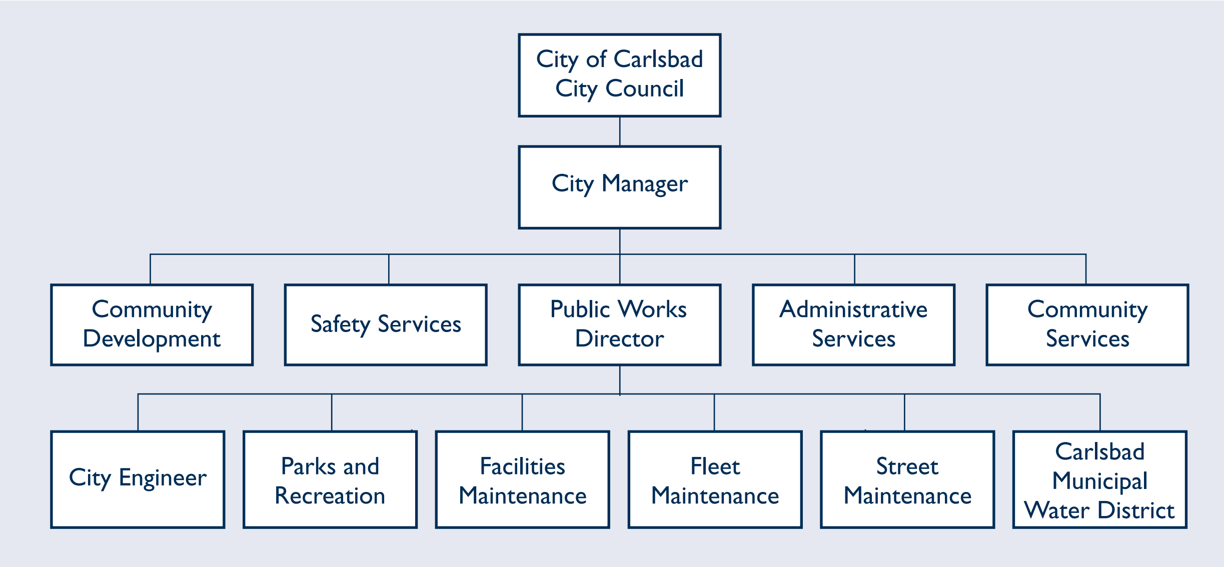
The largest of the new MSAs, Public Works, consisted of six previously independent departments responsible for engineering services; parks, streets, facilities, and fleet maintenance; and a legally separate water district owned by the city (Exhibit 3). The new organization was expected to design, construct, and maintain the infrastructure for the growing city. The new Public Works Director was excited about the prospect of designing his new MSA according to the vision and values created by the city during its strategic change efforts. In line with those values, he saw the opportunity to implement the new design in participative and empowering ways, and he wanted to take advantage of the city's general plan that called for new buildings to house the engineering staff and the public works yard.

In consultation with an OD consultant, diagnostic interviews and focus groups with a variety of employees and other stakeholders were commissioned. The data can be summarized as follows:

- *Each of the previously independent departments had their own way of doing things.* They were suspicious of the reasons for the structural change. The water district employees were particularly cohesive.
- *Many of the work processes in each department were similar.* For example, the buildings, parks, and street departments each had equipment and work assignments involving the maintenance of restrooms, painting, landscaping, and light construction. The engineering department for the water district was largely redundant with the engineering department in the City, and both the City and the water district owned several pieces of large and expensive equipment.

[Exhibit 3]

Proposed Public Works Structure Immediately Following City Reorganization



- *Each department had members with both long and short tenures.*
- *Most of the departments lacked formal goals and planning processes.*
- *The current Public Works Director was also acting as the City Engineer.*
- *The engineering department was anticipating an increased workload over the next 10 years as the City continued growing.* Conversely, workloads in the maintenance groups were expected to grow over time but lag the growth rates in engineering.
- *Almost all of the employees enjoyed working for the City of Carlsbad and intended to stay.*

Based on these data, the Public Works Director and the OD consultants worked together to understand the implications of the data and to design an action plan to describe and refine the new structure.

Questions

1. What is your diagnosis of the situation in the Public Works Department?
2. How would you proceed from this point?
3. What interventions would you recommend and why?
4. For your preferred intervention, develop an action plan for implementation.

selected cases

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part 5

Human Resource Management Interventions

17

Performance Management

In this chapter, we discuss human resources management interventions concerned with managing individual and group performance. Performance management involves goal setting, performance appraisal, and reward systems that align member work behavior with business strategy, employee involvement, and workplace technology. Goal setting describes the interaction between managers and employees in jointly defining member work behaviors and outcomes. Orienting employees to the appropriate kinds of work outcomes can reinforce the work designs described in Chapter 16 and support the organization's strategic objectives. Goal setting can clarify the duties and responsibilities associated with a particular job or work group. When applied to jobs, goal setting can focus on individual goals and can reinforce individual contributions and work outcomes. When applied to work groups, it can be directed at group objectives and can reinforce members' joint actions and overall group outcomes. One popular and classic approach to goal setting is called management by objectives.

Performance appraisal involves collecting and disseminating performance data to improve work outcomes. It is the primary human resources management intervention for providing performance feedback to individuals and work groups. Performance appraisal is a systematic process of jointly assessing work-related achievements, strengths, and weaknesses. It also can facilitate career counseling, provide information about the strength and diversity of human resources in the company, and link employee performance with rewards.

Reward systems are concerned with eliciting and reinforcing desired behaviors and work outcomes through compensation and other forms of recognition. They can support goal setting and feedback systems by acknowledging the kinds of behaviors required to implement a particular work design or support a business strategy. Like goal setting, reward systems can be oriented to individual jobs and goals or to group functions and objectives. Moreover, they can be geared to traditional work designs that require external forms of control or to enriched, self-regulating designs that require employee self-control. Several innovative and effective reward systems are used in organizations today.

Performance management interventions traditionally are implemented by the human resources department within organizations, whose managers have special training in these areas. Because of the breadth and depth of knowledge required to carry out these kinds of change programs successfully, practitioners tend to specialize in one part of the human resources function, such as performance appraisal or compensation.

The interest in integrating human resources management with organization development continues unabated. In many companies, such as AG Communication Systems, BP, Microsoft, Intel, Colgate-Palmolive, and Johnson & Johnson, organization development is a separate function of the human resources department. As OD practitioners increasingly have become involved in organization design and employee involvement, they have realized the need to bring human resources practices more in line with the new designs and processes. Consequently, human resource specialists now frequently help initiate OD projects. For example, a large electronics firm expanded the role of compensation specialists to include initiation of work-design projects. The compensation people at this firm, who traditionally were consulted by OD practitioners *after* the work design had taken place, were dissatisfied

with this secondary role and wanted to be more proactive. In most cases, human resource practitioners continue to specialize in their respective areas, but they become more sensitive to and competent in organization development. Similarly, OD practitioners continue to focus on planned change while becoming more knowledgeable about human resources management.

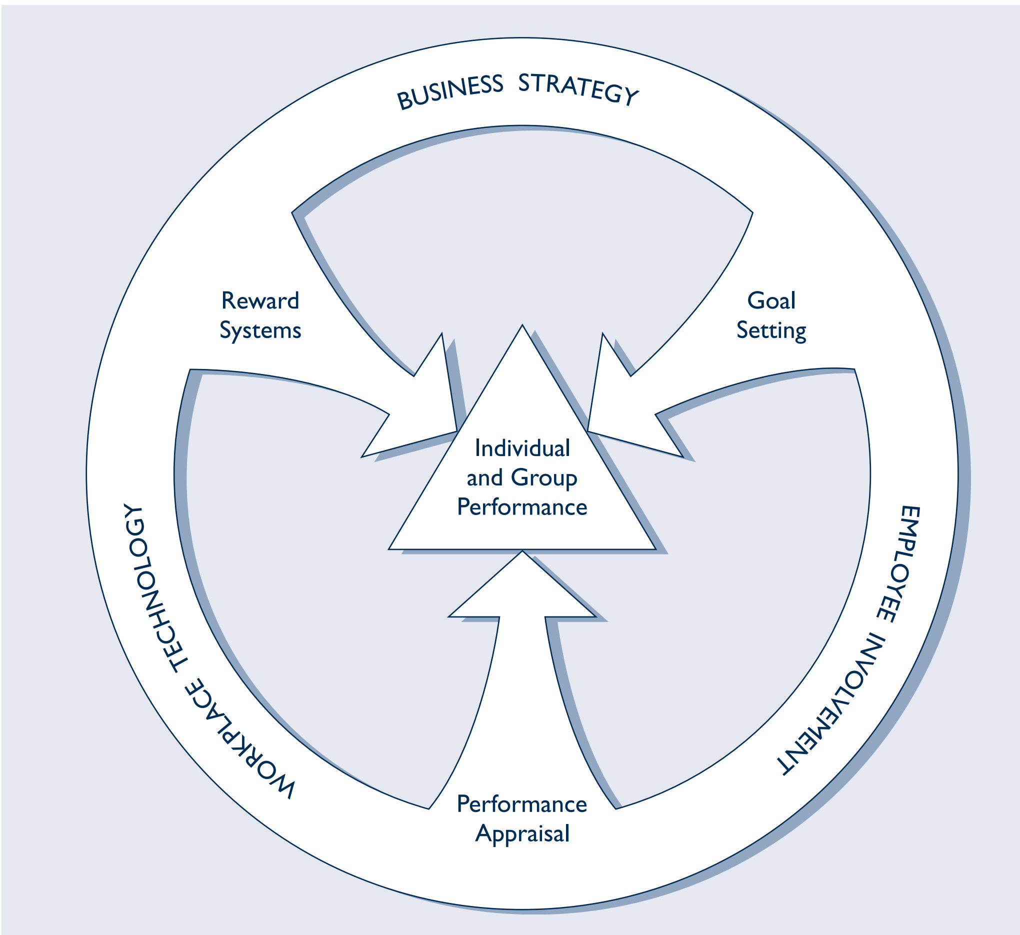
We begin by describing a performance management model. It shows how goal setting, performance appraisal, and rewards are closely linked and difficult to separate in practice, but how each element is distinct and has its own dynamics. Following the model, each aspect of performance management is discussed and its impact on performance evaluated.

A MODEL OF PERFORMANCE MANAGEMENT

Performance management is an integrated process of defining, assessing, and reinforcing employee work behaviors and outcomes.[1] Organizations with a well-developed performance management process often outperform those without this element of organization design.[2] As shown in Figure 17.1, performance management includes practices and methods for goal setting, performance appraisal, and reward systems. These practices jointly influence the performance of individuals and work groups.

[Figure 17.1]

A Performance Management Model



Goal setting specifies the kinds of performances that are desired; performance appraisal assesses those outcomes; reward systems provide the reinforcers to ensure that desired outcomes are repeated. Because performance management occurs in a larger organizational context, at least three contextual factors determine how these practices affect work performance: business strategy, workplace technology, and employee involvement.[3] High levels of work performance tend to occur when goal setting, performance appraisal, and reward systems are aligned jointly with these contextual factors.

Business strategy defines the goals and objectives, policies, and intended relationships between the organization and its environment to compete successfully, and performance management focuses, assesses, and reinforces member work behaviors toward those objectives and intentions. This ensures that work behaviors are strategically driven.

Workplace technology affects whether performance management practices should be based on the individual or the group. When technology is low in interdependence and work is designed for individual jobs, goal setting, performance appraisal, and reward systems should be aimed at individual work behaviors. Conversely, when technology is highly interdependent and work is designed for groups, performance management should be aimed at group behaviors.[4]

Finally, the level of employee involvement in an organization should determine the nature of performance management practices. When organizations are highly bureaucratic, with low levels of participation, then goal setting, performance appraisal, and reward systems should be formalized and administered by management and staff personnel. In high-involvement situations, on the other hand, performance management should be heavily participative, with both managers and employees setting goals and appraising and rewarding performance. In high-involvement organizations, for example, employees participate in all stages of performance management, and are heavily involved in both designing and administering its practices.

GOAL SETTING

Goal setting involves managers and subordinates in jointly establishing and clarifying employee goals. In some cases, such as management by objectives, it also can facilitate employee counseling and support. In other cases, such as the *balanced scorecard*, it generates goals in several defined categories, at different organizational levels, to establish clear linkages with business strategy.[5] The process of establishing challenging goals involves managing the level of participation and goal difficulty. Once goals have been established, the way they are measured is an important determinant of member performance.[6]

Goal setting can affect performance in several ways. It influences what people think and do by focusing their behavior in the direction of the goals, rather than elsewhere. Goals energize behavior, motivating people to put forth the effort to reach difficult goals that are accepted, and when goals are difficult but achievable, goal setting prompts persistence over time. Goal-setting interventions have been implemented in such organizations as 3M, Time Warner, Clear Channel Communications, and Price Waterhouse Coopers.

Characteristics of Goal Setting

An impressive amount of research underlies goal-setting interventions and practices;[7] it has revealed that goal setting works equally well in both individual and group settings.[8] This research has identified two major processes that affect positive outcomes: establishment of challenging goals and clarification of goal measurement.

Establishing Challenging Goals

The first element of goal setting concerns establishing goals that are perceived as challenging but realistic and to which there is a high level of commitment. This can be accomplished by varying the goal difficulty and the level of employee participation in the goal-setting process. Increasing the difficulty of employee goals, also known as stretch goals, can increase their perceived challenge and enhance the amount of effort expended to achieve them.[9] Thus, more difficult goals tend to lead to increased effort and performance, as long as they are seen as feasible. If goals are set too high, however, they may lose their motivating potential and employees will give up when they fail to achieve them. An important method for increasing the acceptance of a challenging goal is to collect benchmarks or best-practice referents. When employees see that other people, groups, or organizations have achieved a specified level of performance, they are more motivated to achieve that level themselves.

Another aspect of establishing challenging goals is to vary the amount of participation in the goal-setting process. Having employees participate can increase motivation and performance, but only to the extent that members set higher goals than those typically assigned to them. Participation also can convince employees that the goals are achievable and can increase their commitment to achieving them.

All three contextual factors play an important role in establishing challenging goals. First, there must be a clear "line of sight" between the business strategy goals and the goals established for individuals or groups. This is a key strength of the balanced scorecard approach to goal setting. When the group is trying to achieve goals that are not aligned with the business strategy, performance can suffer and organization members can become frustrated. Second, employee participation in goal setting is more likely to be effective if employee involvement policies in the organization support it. Under such conditions, participation in goal setting is likely to be seen as legitimate, resulting in the desired commitment to challenging goals. Third, when tasks are highly interdependent and work is designed for groups, group-oriented participative goal setting tends to increase commitment.[10]

Clarifying Goal Measurement

The second element in the goal-setting process involves specifying and clarifying the goals. When given specific goals, workers perform higher than when they are simply told to "do their best" or when they receive no guidance at all. Specific goals reduce ambiguity about expectations and focus the search for appropriate behaviors.

To clarify goal measurement, objectives should be operationally defined. For example, a group of employees may agree to increase productivity by 5%—a challenging and specific goal. But there are a variety of ways to measure productivity, and it is important to define the goal operationally to be sure that the measure can be influenced by employee or group behaviors. For example, a productivity goal defined by sales per employee may be inappropriate for a manufacturing group.

Clarifying goal measurement also requires that employees and supervisors negotiate the resources necessary to achieve the goals—for example, time, equipment, raw materials, and access to information. If employees cannot have appropriate resources, the targeted goal may have to be revised.

Contextual factors also play an important role in the clarifying process. Goal specification and clarity can be difficult in high-technology settings where the work often is uncertain and highly interdependent. Increasing employee participation in clarifying goal measurement can give employees ownership of a nonspecific but challenging goal. Employee involvement policies also can impact the way goals are clarified. The entire goal-setting process can be managed by employees and work teams when employee involvement policies and work designs favor it. Finally, the process of specifying and

clarifying goals is extremely difficult if the business strategy is unclear. Under such conditions, attempting to gain consensus on the measurement and importance of goals can lead to frustration and resistance to change.

Application Stages

Based on these features of the goal-setting process, OD practitioners have developed specific approaches to goal setting. The following steps characterize those applications:

1. ***Diagnosis.*** The first step is a thorough diagnosis of the job or work group, of employee needs, and of the three context factors, business strategy, workplace technology, and level of employee involvement. This provides information about the nature and difficulty of specific goals, the appropriate types and levels of participation, and the necessary support systems.
2. ***Preparation for Goal Setting.*** This step prepares managers and employees to engage in goal setting, typically by increasing interaction and communication between managers and employees, and offering formal training in goal-setting methods. Specific action plans for implementing the program also are made at this time.
3. ***Setting of Goals.*** In this step challenging goals are established and methods for goal measurement are clarified. Employees participate in the process to the extent that contextual factors support such involvement and to the extent that they are likely to set higher goals than those assigned by management.
4. ***Review.*** At this final step the goal-setting process is assessed so that modifications can be made, if necessary. The goal attributes are evaluated to see whether the goals are energizing and challenging and whether they support the business strategy and can be influenced by the employees.

Management by Objectives

A common form of goal setting used in organizations is *management by objectives* (MBO). This method is chiefly an attempt to align personal goals with business strategy by increasing communications and shared perceptions between the manager and subordinates, either individually or as a group, and by reconciling conflict where it exists.

All organizations have goals and objectives; all managers have goals and objectives. In many instances, however, those goals are not stated clearly, and managers and subordinates have misunderstandings about what those objectives are. MBO is an approach to resolving these differences in perceptions and goals. MBO is characterized by systematic and periodic manager–subordinate meetings designed to accomplish organizational goals by joint planning of the work, periodic reviewing of accomplishments, and mutual solving of problems that arise in the course of getting the job done.

MBO has its origin in two different backgrounds: organizational and developmental. The organizational root of MBO was developed by Drucker, who emphasized that organizations need to establish objectives in eight key areas: "market standing; innovation; productivity; physical and financial resources; profitability; manager performance and development; worker performance and attitude; and public responsibility."[11] Drucker's work was expanded by Odiorne, whose first book on MBO stressed the need for quantitative measurement.[12]

According to Levinson,[13] MBO's second root is found in the work of McGregor, who stressed the qualitative nature of MBO and its use for development and growth on the job.[14] McGregor attempted to shift emphasis from identifying weaknesses to analyzing performance in order to define strengths and potentials. He believed that this shift could be accomplished by having subordinates reach agreement with their bosses on major job responsibilities; then, individuals could develop short-term performance goals and action plans for achieving those goals, thus allowing them to appraise their

own performance. Subordinates then would discuss the results of this self-appraisal with their supervisors and develop a new set of performance goals and plans. This emphasis on mutual understanding and performance rather than personality would shift the supervisor's role from judge to helper, thereby reducing both role conflict and ambiguity. The second root of MBO reduces role ambiguity by making goal setting more participative and transactional, by increasing communication between role incumbents, and by ensuring that both individual and organizational goals are identified and achieved.

An MBO program often goes beyond the one-on-one, manager–subordinate relationship to focus on problem-solving discussions involving work teams as well. Setting goals and reviewing individual performance are considered within the larger context of the job. In addition to organizational goals, the MBO process gives attention to individuals' personal and career goals and tries to make those and the organizational goals more complementary. The target-setting procedure allows real (rather than simulated) subordinate participation in goal setting, with open, problem-centered discussions among team members, supervisors, and subordinates.

There are six basic steps in implementing an MBO process.[15]

1. **Work-group involvement.** In the first step of MBO, the members of the primary work group define overall group and individual goals and establish action plans for achieving them. If this step is omitted or if organizational goals and strategies are unclear, the effectiveness of an MBO approach may be greatly reduced over time.
2. **Joint manager–subordinate goal setting.** Once the work group's overall goals and responsibilities have been determined, attention is given to the job duties and responsibilities of the individual role incumbents. Roles are carefully examined in light of their interdependence with the roles of others outside the work group.
3. **Establishment of action plans for goals.** The subordinate develops action plans for goal accomplishment, either in a group meeting or in a meeting with the immediate manager. The action plans reflect the individual style of the subordinate, not that of the supervisor.
4. **Establishment of criteria, or yardsticks, of success.** At this point, the manager and the subordinate agree on the success criteria for the goals that have been established—criteria that are not limited to easily measurable or quantifiable data. A more important reason for jointly developing the success criteria is to ensure that the manager and the subordinate have a common understanding of the task and what is expected of the subordinate. Frequently, the parties involved discover that they have not reached a mutual understanding. The subordinate and the manager may have agreed on a certain task, but in discussing how to measure its success, they find that they have not been communicating clearly. Arriving at a joint understanding and agreement on success criteria is the most important step in the entire MBO process.
5. **Review and recycle.** Periodically, the manager reviews work progress, either in the larger group or with the subordinate. There are three stages in this review process. First, the subordinate takes the lead, reviewing progress and discussing achievements and the obstacles faced. Next, the manager discusses work plans and objectives for the future. Last, after the action plans have been made, a more general discussion covers the subordinate's future ambitions and other factors of concern. In this final phase, a great deal of coaching and counseling usually takes place.
6. **Maintenance of records.** In many MBO programs, the working documents of the goals, criteria, yardsticks, priorities, and due dates are forwarded to a third party. Although the evidence is indirect, it is likely that the MBO program, as an OD effort, suffers when the working papers are reviewed regularly by a third party,

such as higher management or the personnel department. Experience shows that when the working papers routinely are passed on, they are less likely to reflect open, honest communication within the supervisor–subordinate pair or the work group. Often they represent instead an effort to impress the third party or to comply with institutionalized rules and procedures.

Application 17.1 describes the goal-setting process at Siebel Systems. It shows how goal-setting processes can be linked with business strategies and performance appraisal processes, and how they both can be supported by the organization's information systems.[16]

Effects of Goal Setting and MBO

The impact of goal setting has been researched extensively and shown to be a particularly effective OD intervention and a key part of an overall performance management process. For example, a study by the Center for Effective Organizations at USC showed a strong correlation between perceptions of performance management effectiveness and goals that are jointly set by managers and workers and when those goals are tied to strategy.[17] The research results on MBO generally are positive but less consistent than are the findings on goal setting.

Goal setting appears to produce positive results over a wide range of jobs and organizations.[18] It has been tested on data-entry operators, logging crews, clerical workers, engineers, and truck drivers, and it has produced performance improvements of between 11% and 27%. Moreover, four meta-analyses of the extensive empirical evidence supporting goal setting concluded that the proposed effects of goal difficulty, goal specificity, and participation in goal setting generally are substantiated across studies and with both groups and individuals.[19] Longitudinal analyses support the conclusion that the gains in performance are not short-lived.[20] A field study of the goal-setting process, however, failed to replicate the typical positive linear relationship between goal difficulty and performance, raising some concern about the generalizability of the method from the laboratory to practice.[21] Additional research has attempted to identify potential factors moderating the results of goal setting, including task uncertainty, amount and quality of planning, personal need for achievement, education, past goal successes, and supervisory style.[22] Some support has been found for the moderators. For example, when the technical context is uncertain, goals tend to be less specific and people need to engage in more search behavior to establish meaningful goals.

The existing research on MBO effectiveness is large but mixed.[23] However, it suggests that a properly designed MBO program can have positive organizational results. Carroll and Tosi conducted a long-term study of an MBO program at Black & Decker,[24] first evaluating the program and then using those data to help the company revise and improve it. This resulted in greater use of and satisfaction with the program. The researchers concluded that top-management support for MBO is the most important factor in implementing such programs. Many programs are short-lived, however, and wither on the vine because they have been installed without adequate diagnosis of the context factors. In particular, MBO's focus can be too much on *vertical alignment* of individual and organizational goals and not enough on the *horizontal issues* that exist when tasks or groups are interdependent.

PERFORMANCE APPRAISAL

Performance appraisal is a feedback system that involves the direct evaluation of individual or work-group performance by a supervisor, manager, or peers. Most organizations have some kind of evaluation system that is used for performance feedback,

The Goal-Setting Process at Siebel Systems

In the late 1990s, Siebel Systems was the leading provider of customer relationship management (CRM) software. Unlike other large enterprise resource system providers, such as PeopleSoft and SAP that provided and supported a broad array of information systems application, Seibel focused on the specialized customer relationship niches. There was a general concern among top management that the way they managed workforce performance was no longer adequate. Despite considerable success, they needed a solution that would enable the company to consistently execute its strategy across all global locations. Tom Siebel was afraid that the "strategy execution" gap—the difference between what people knew they should do and what they were actually doing—was too big.

Leveraging their industry-leading capabilities in CRM software, they developed an "employee relationship management" (ERM) system called "*my*Siebel." Deployed in December 2000, it provided planning and performance management, training, content management, workforce collaboration, and employee support. *my*Siebel streamlined many processes within the company, including performance evaluation, communication of objectives, and expense reporting. Siebel executives credited the implementation of *my*Siebel with a substantial improvement in employee satisfaction. Here's how the process worked.

The week after the end of each quarter, the executive committee—the top 15 senior managers—spent three days (Thursday, Friday, and Saturday) in a retreat analyzing the results of the prior quarter and establishing objectives for the upcoming months. Corporate quarterly objectives were discussed and agreed to during the meeting. Then, by the seventh calendar day of the month following the off-site meeting, Tom Siebel's personal objectives and those of his direct reports were posted on the performance management module of *my*Siebel. By the 15th, these objectives had been translated into objectives for the functions and business units that reported to the VPs and posted on *my*Siebel. By the 21st of the month, every employee had posted and received feedback on their individual quarterly objectives. The objectives served as the key metrics that would be used to evaluate their performance over the next three months.

Through *my*Siebel, all employees could view the objectives of any other employee, including those of Tom Siebel himself and other members of the executive committee. This allowed people to understand how others were allocating their time and attention.

Based on Siebel's core values, customer satisfaction was a shared objective for everyone. There was also a clear understating among all employees that if some activity was not related to your list of objectives, you should not be doing it. Employees all the way up to executives were encouraged to be clear about what you would NOT be doing.

The individual performance evaluation process ran parallel to the objective-setting process. Each manager was responsible for evaluating his or her direct subordinates by the 15th of the first month of each new quarter. The review and feedback had to be posted on the *my*Siebel performance management module. But unlike the posting of objectives, which were accessible to everyone inside the company, performance evaluations were visible only to the managers to whom the employee reported. Accordingly, only Tom Siebel, as CEO, could access everybody's performance evaluations.

Bonuses were tied to the achievement of quarterly objectives. For people involved in delivery projects, a large part of their objectives and compensation were tied to sales targets and customer satisfaction scores. For sales people, part of the bonus was held back and paid out over the course of a year based on quarterly customer satisfaction scores. The salesperson could lose some bonus if the implementation suffered. The bonus could be as much as 40% of salary and the company was heavily involved in stock ownership. Employees owned 40% of the company (including the 15% that Tom Siebel owned). As part of its workforce improvement initiative, and in a policy similar to General Electric's, Siebel Systems had a policy of ranking and discharging the bottom 5% of employees every six months.

The process of performance management was part of and was supported by information system architecture. The information system not only pushed information to employees but also allowed

them to pull the information they needed. After logging on, each employee had their own "home page" that contained a different corporate announcement or story every day. This pushed current communications and corporate agenda items to the employee. It also contained an area that suggested training opportunities for given work and career paths. Each employee was expected to complete five Web-based training modules per quarter. The system also allowed employees to pull corporate data and information, detailed information about corporate strategies, products, and customer information, performance data, and competitor and market information. It provided real-time access to any project in the company.

pay administration, and, in some cases, counseling and developing employees.[25] Thus, performance appraisal represents an important link between goal-setting processes and reward systems. One recent survey of over 300 North American companies, for example, found that 65% reported a link between performance ratings and rewards, 46% used the system equally for performance development and decision making, and 53% of the organizations believed the system was aligned with organizational values and priorities.[26]

Abundant evidence, however, indicates that organizations do a poor job appraising employees.[27] As one study put it, "The appraisal of performance appraisals is not good ... In fact, our review indicates that, regardless of a program's stated purpose, few studies show positive effects."[28] Another study found that only 55% believed the appraisal process adequately distinguished between poor, average, and good performers.[29] Consequently, a growing number of firms have sought ways to improve performance appraisal. Some innovations have been made in enhancing employee involvement, balancing organizational and employee needs, and increasing the number of raters.[30] These newer forms of appraisal are being used in such organizations as Alliant Energy, Goldman Sachs, Intel, and Monsanto.

The Performance Appraisal Process

Table 17.1 summarizes several common elements of performance appraisal systems.[31] For each element, two contrasting features are presented, representing traditional bureaucratic approaches and newer, high-involvement approaches. Performance appraisals are conducted for a variety of purposes, including affirmative action, pay and promotion decisions, and human resources planning and development. Because each purpose defines what performances are relevant and how they should be measured, separate appraisal systems are often used. For example, appraisal methods for pay purposes are often different from systems that assess employee development or promotability. Employees also have a variety of reasons for wanting appraisal, such as receiving feedback for career decisions, getting a raise, and being promoted. Rather than trying to meet these multiple purposes with a few standard appraisal systems, the new appraisal approaches are more tailored to balance the multiple organizational and employee needs. This is accomplished by actively involving the appraisee, coworkers, and managers in assessing the purposes of the appraisal at the time it takes place and adjusting the process to fit that purpose. Thus, at one time the appraisal process might

[Table 17.1]

Performance Appraisal Elements

ELEMENTS	TRADITIONAL APPROACHES	HIGH-INVOLVEMENT APPROACHES
Purpose	Organizational, legal Fragmented	Developmental Integrative
Appraiser	Supervisor, managers	Appraisee, co-workers, and others
Role of appraisee	Passive recipient	Active participant
Measurement	Subjective Concerned with validity	Objective and subjective
Timing	Periodic, fixed, administratively driven	Dynamic, timely, employee- or work-driven

focus on pay decisions, another time on employee development, and still another time on employee promotability. Actively involving all relevant participants can increase the chances that the purpose of the appraisal will be correctly identified and understood and that the appropriate appraisal methods will be applied.

The new methods tend to expand the appraiser role beyond managers to include multiple raters, such as the appraisee, peers or coworkers, and direct reports and others having direct exposure to the manager's or employee's performance. Also known as *360-degree feedback*, this broader approach is used more for member development than for compensation purposes.[32] This wider involvement provides a number of different views of the appraisee's performance. It can lead to a more comprehensive assessment of the employee's performance and can increase the likelihood that both organizational and personal needs will be taken into account. The key task is to form an overarching view of the employee's performance that incorporates all of the different appraisals. Thus, the process of working out differences and arriving at an overall assessment is an important aspect of the appraisal process. This improves the appraisal's acceptance, the accuracy of the information, and its focus on activities that are critical to the business strategy.

The newer methods also expand the role of the appraisee. Traditionally, the employee is simply a receiver of feedback. The supervisor unilaterally completes a form concerning performance on predetermined dimensions, usually personality traits, such as initiative or concern for quality, and presents its contents to the appraisee. The newer approaches actively involve appraisees in all phases of the appraisal process. The appraisee joins with superiors and staff personnel in gathering data on performance and identifying training needs. This active involvement increases the likelihood that the content of the performance appraisal will include the employee's views, needs, and criteria, along with those of the organization. This newer role for employees increases their acceptance and understanding of the feedback process.

Performance measurement is typically the source of many problems in appraisal because it is seen as subjective. Traditionally, performance evaluation focused on the consistent use of prespecified traits or behaviors. To improve consistency and validity of measurement, considerable training is used to help raters (supervisors) make valid assessments. This concern for validity stems largely from legal tests of performance appraisal systems and leads organizations to develop measurement approaches, such as the *behaviorally anchored rating scale* (BARS) and its variants. In newer approaches, validity is not only a legal or methodological issue but a social issue as well; all appropriate

participants are involved in negotiating acceptable ways of measuring and assessing performance. Increased participation in goal setting is a part of this new approach. All participants are trained in methods of measuring and assessing performance. Because it focuses on both objective and subjective measures of performance, the appraisal process is more understood, accepted, and accurate.

The timing of performance appraisals traditionally are fixed by managers or staff personnel and are based on administrative criteria, such as yearly pay decisions. Newer approaches increase the frequency of feedback. In 1997, 78% of appraisals were performed annually; in 2003, over 40% of companies surveyed conducted appraisals two times per year.[33] Another study found that 63% of high-growth companies reviewed performance more than once per year versus 22% of the low-growth companies.[34]

Although it may not be practical to increase the number of formal appraisals, the frequency of informal feedback can increase, especially when strategic objectives change or when the technology is highly uncertain. In those situations, frequent performance feedback is necessary for appropriate adaptations in work behavior. The newer approaches to appraisal increase the timeliness of feedback and give employees more control over their work.

Application Stages

The process of designing and implementing a performance appraisal system has received increasing attention. OD practitioners have recommended the following six steps:[35]

1. ***Select the Right People.*** For political and legal reasons, the design process needs to include human resources staff, legal representatives, senior management, and system users. Failure to recognize performance appraisal as part of a complex performance management system is the single most important reason for design problems. Members representing a variety of functions need to be involved in the design process so that the essential strategic and organizational issues are addressed.
2. ***Diagnose the Current Situation.*** A clear picture of the current appraisal process is essential to designing a new one. Diagnosis involves assessing the contextual factors (business strategy, workplace technology, and employee involvement), current appraisal practices and satisfaction with them, work design, and the current goal-setting and reward system practices. This information is used to define the current system's strengths and weaknesses.
3. ***Establish the System's Purposes and Objectives.*** The ultimate purpose of an appraisal system is to help the organization achieve better performance. Managers, staff, and employees can have more specific views about how the appraisal process can be used. Potential purposes can include serving as a basis for rewards, career planning, human resources planning, and performance improvement or simply giving performance feedback.
4. ***Design the Performance Appraisal System.*** Given the agreed-upon purposes of the system and the contextual factors, the appropriate elements of an appraisal system can be established. These should include choices about who performs the appraisal, who is involved in determining performance, how performance is measured, and how often feedback is given. Criteria for designing an effective performance appraisal system include timeliness, accuracy, acceptance, understanding, focus on critical control points, and economic feasibility.

   First, the timeliness criterion recognizes the time value of information. Individuals and work groups need to get performance information before evaluation or review. When the information precedes performance evaluation, it can be used to engage in problem-solving behavior that improves performance and satisfaction. Second, the information contained in performance feedback needs to be accurate. Inaccurate data prevent employees from determining whether their

performance is above or below the goal targets and discourage problem-solving behavior. Third, the performance feedback must be accepted and owned by the people who use it. Participation in the goal-setting process can help to ensure this commitment to the performance appraisal system. Fourth, information contained in the appraisal system needs to be understood if it is to have problem-solving value. Many organizations use training to help employees understand the operating, financial, and human resources data that will be fed back to them. Fifth, appraisal information should focus on critical control points. The information received by employees must be aligned with important elements of the business strategy, employee performance, and reward system. For example, if the business strategy requires cost reduction but workers are measured and rewarded on the basis of quality, the performance management system may produce the wrong kinds of behavior. Finally, the economic feasibility criterion suggests that an appraisal system should meet a simple cost–benefit test. If the costs associated with collecting and feeding back performance information exceed the benefits derived from using the information, then a simpler system should be installed.

5. ***Experiment with Implementation.*** The complexity and potential problems associated with performance appraisal processes strongly suggest using a pilot test of the new process to spot, gauge, and correct any flaws in the design before it is implemented systemwide.
6. ***Evaluate and Monitor the System.*** Although the experimentation step may have uncovered many initial design flaws, ongoing evaluation of the system once it is implemented is important. User satisfaction from human resources staff, manager, and employee viewpoints is an essential input. In addition, the legal defensibility of the system should be tracked by noting the distribution of appraisal scores against age, sex, and ethnic categories.

Application 17.2 describes evolution of the performance management system at Capital One. It demonstrates the importance of involvement and learning in the process, the importance of being responsive to the business situation, and how systems can be designed for flexibility.

Effects of Performance Appraisal

Despite the poor track record organizations have in implementing appraisal processes well, the research supports the linkage between feedback and performance.[36] Early studies concluded that objective feedback as a means for improving individual and group performance has been "impressively effective" and has been supported by a large number of literature reviews over the years.[37] Another researcher concluded that "objective feedback does not usually work, it virtually always works."[38] In field studies where performance feedback contained behavior-specific information, median performance improvements were over 47%; when the feedback concerned less-specific information, median performance improvements were over 33%. In a meta-analysis of performance appraisal interventions, feedback was found to have a consistently positive effect across studies.[39] In addition, although most appraisal research has focused on the relationship between performance and individuals, several studies have demonstrated a positive relationship between group performance and feedback.[40]

REWARD SYSTEMS

Organizational rewards are powerful incentives for improving employee and work-group performance. As pointed out in Chapter 16, rewards also can produce high levels of employee satisfaction. OD traditionally has relied on intrinsic rewards, such as enriched jobs and opportunities for decision making, to motivate employee

application 17.2

Adapting the Appraisal Process at Capital One Financial

Capital One is one of the largest financial services organizations in the United States. Its original credit card business began in 1993 when they were part of Signet Bank, and their success led to a spin-off and subsequent public offering in 1994. Since then, Capital One has expanded the credit card business, entered the auto loan and home mortgage businesses, grown internationally, and most recently acquired two traditional banks.

Capital One has always had a strong human resource management function and the organization has done a great job adapting a robust human resource strategy to shifting business conditions. Carol Anderson, who leads the performance management process, notes, "One overlay to the whole performance management strategy, and one of the reasons we've had some success in this area, is that the actual philosophy and core infrastructure of the program has not changed. For example, we've always had a system that included 360-degree feedback and well-grounded compensation models." Driven by the business situation and feedback about the performance management process, the organization has modified the appraisal process, the mix of reward components, and the specific issues that are appraised. In addition, they have learned from their experiences.

One of the early changes in the performance management system came in 2000. On the business front, Capital One was diversifying away from credit cards and into other financial services and needed to identify and develop talent for the future. The organization set up a performance management design team who initiated a benchmarking program as part of their review and revision process. To their surprise, most benchmark companies said, "we benchmark you." That is, most of the organizations they talked to noted that their appraisal system was based on the Capital One model. The notion of a full and detailed performance review, including the 360-degree feedback, was the best in class. But the system wasn't delivering the results the organization wanted.

In particular, a relatively young and inexperienced group of managers and an ill-defined 7-point rating scale resulted in little differentiation in performance (e.g., there were a lot of 4, 5, and 6 ratings and very few 1, 2, or 3s), poor participation, and the largest proportion of complaints in the all-employee surveys. Initial attempts to address the lack of differentiation resulted in the announcement that a forced distribution system—where a percentage of employees had to be in high, medium, and low ratings—would be used. It wasn't a full GE-type model where the bottom 10% of the employees were let go, but it tried to impress upon managers the need to differentiate. Given the relative maturity of managers at the time and the lack of participation in the process, the change got little traction; it was poorly executed and had little effect on the number or type of complaints. In the context of the growth and diversification in the business and the need for talent, this was not the right process.

As the design team regrouped, it committed to preserving the high feedback culture, competencies model, and detailed written performance aspect of the model. The organization had always viewed performance management as an evaluation opportunity, and with that as a core, the design team set about looking at what could be changed.

One of the shifts they proposed was to lighten the administrative load. The team noted that the detailed evaluations, ratings, and feedback processes were forcing managers to spend about half the year in the performance management process. They recommended creating a system that would provide managers with the tools to manage associate performance without forcing the distribution. That principle led to the decision to automate the process, with the automation of the 360-degree feedback process leading the way.

The design team also recommended shifting the rating scale. Based on employee ratings of competencies and performance, managers computed a non-intuitive overall score that was more confusing than helpful. For example, although a –4 score was interpreted as "meeting expectations," that's not the way employees felt after receiving it. The design team recommended shifting from 7-point to a 5-point rating scale and adopting a simple interpretation scheme where low scores meant that

action and development were required and moderate scores reflected strong (but not exceptional) performance. Learning from their prior implementation experiences, these revisions were supported by local champions in each business unit. Rather than announcing the changes, these local champions helped managers put the process in place with some consistency but not at the expense of driving business results.

In the 2003, a new set of business conditions resulted in additional adaptations to the system. First, changes in the regulations governing stock option recognition and expensing led the organization to shift its eligibility qualifications. In prior years, nearly all employees were eligible for salary increases, bonuses, and some equity compensation. With the regulation change, the organization tightened the eligibility criteria for equity awards for managers as well as the basis for awarding stock compensation.

Second, although Capital One maintained everyone's eligibility for bonus compensation, a corporate initiative to clarify the organization's values led the performance management design team to clarify what had always been an assumption in the system—that rewards were based on results as well as competence. The list of values and behaviors reflecting the corporate values needed to be integrated with and aligned to the existing competency models. Moreover, the forecasted business growth and diversification suggested that the organization was going to need many new competencies. As a result, the team recommended specifying and rewarding competency development as 50% of the appraisal process, or that bonus compensation was tied to equal parts of current results and the learning of new competencies. Managers' and associates' bonuses depended on achieving results set during goal-setting meetings as well as learning and development activities. Such a system supported the development of a flexible workforce.

The organization's recognition that it needed to be more flexible and agile drove the first shift in organizational-level competencies. The effort to build a change capability (see Application 21.3) suggested that the competencies models reflect an emphasis on learning about and being capable of managing change. Based on the success of prior changes in the performance management system, formal, local champions in the form of senior VPs who represented their line of business were made a part of the design team. This expanded design team increased the number of change-related behaviors in the competency models and asked Capital One University to highlight them in change-related training. This sent a clear message about the importance of these behaviors for the future. As a result, between 2003 and 2005, managers and associates were appraised not only on their current business results, but on the development of change management skills and knowledge. The champions were able to reinforce the importance of the new behaviors in the local implementation of the performance management process and provided important synergies for the change capability implementation.

As a result of these changes, Capital One managers came to believe that meeting aggressive but achievable goals required them to lead change and build new operational capabilities. Achieving results—50% of their appraisal score—were unlikely unless the manager actively drove change in their organizations. The other 50% of the appraisal score depended on the extent to which associates and managers were demonstrating the values and competencies of the corporation related to change. As one manager remarked, "if I lead change in the group but leave my people behind, I'm not doing my job and my bonus is at risk."

A new strategic imperative around "customer experience" has driven the most recent shift in the performance appraisal system. Senior managers asked Anderson's design team to ensure that the competency models, recruitment, selection, and performance management systems support the values and behaviors leading to outstanding customer experiences. "There's been a lot of interest in how the competencies are structured to reflect our increasing interest in customer experience. One camp is advocating for adding a whole new and separate competency in customer experience that is populated with a set of behaviors. Another group is arguing that customer experience competencies should be integrated into the existing competencies, that customer experience should be as natural to everyone as the change-related competencies. As the competencies are decided, and in keeping with Capital One's overall performance management philosophy, achieving these competencies will continue to be 50% of the appraisal rating.

For the other 50% focused on results, executives were clear about how to orchestrate the reinforcement process. "We expect that customer experience

metrics will be presented to associates during the 2007 round of appraisals. In the following year, objectives around customer experience will be a part of associate goal-setting activities, but there won't be any rewards attached to achievement. Then in the third cycle, we expect that all associates will be held accountable for achievement of customer experience results." That is, compensation will be tied to the achievement of great customer experiences.

The Capital One performance management system has adapted with the times and has addressed a variety of issues, including process concerns, business needs, and human capital development. Its ongoing balance of rewarding results *and* the development of competencies allow Capital One to not only adjust the criteria for current performance but also encourage associates and managers to learn new skills for future success.

performance. Early quality-of-work-life interventions were based mainly on the intrinsic satisfaction derived from performing challenging, meaningful types of work. More recently, OD practitioners have expanded their focus to include extrinsic rewards: pay; various incentives, such as stock options, bonuses, and gain sharing; promotions; and benefits. They have discovered that both intrinsic and extrinsic rewards can enhance performance and satisfaction.[41]

OD practitioners increasingly are attending to the design and implementation of reward systems. This recent attention to rewards has derived partly from research in organization design and employee involvement. These perspectives treat rewards as an integral part of an organization.[42] They hold that rewards should be congruent with other organizational systems and practices, such as the organization's structure, top management's human relations philosophy, and work designs. Many reward system features contribute to both employee fulfillment and organizational effectiveness. In this section, we describe the structural features of a reward system and how rewards affect individual and group performance; discuss four specific rewards, including skill-based pay, performance-based pay, gain sharing, and promotions; and the process issues involved in establishing and administrating reward systems.

Structural and Motivational Features of Reward Systems

A reward system is an important part of an organization's design and must be aligned with the strategy, structure, employee involvement, and work. The design features of a reward system are summarized in Table 17.2.[43]

- **Person/job Based vs. Performance Based.** One of the first and most important design choices is the focus or basis of the reward system. The most prevalent system is the job-based system. Here, job descriptions are created for each position in the organization and a value is attached to the work performed. Pay is based on that valuation process. More recently, reward systems have been crafted around the person in the job and the value brought by their skills and knowledge. Skill-based pay and knowledge-based pay are important examples of this system. The other major alternative is to base rewards on the performance achieved by a job or person. In this system, pay is contingent on the outcomes produced.

[Table 17.2]

Reward System Design Features

DESIGN FEATURE	DEFINITION
Person/Job Based vs. Performance Based	The extent to which rewards and incentives are based on the person in a job, the job itself, or the outcomes of the work
Market Position (External Equity)	The relationship between what an organization pays and what other organizations pay
Internal Equity	The extent to which people doing similar work in an organization are rewarded the same
Hierarchy	The extent to which people in higher positions get more and varied types of rewards than people lower in the organization
Centralization	The extent to which reward system design features, decisions, and administration are standardized across an organization
Rewards Mix	The extent to which different types of rewards are available and offered to people
Security	The extent to which work is guaranteed
Seniority	The extent to which rewards are based on length of service

- **Individual vs. Group Rewards.** The interdependency among work tasks is another important reward system contingency. When work is complex and the performance of one task depends on prior tasks, the appropriate work design is team based because successfully adding value requires tight coordination. This tight coordination is reinforced by reward systems that recognize group-level outputs. When work tasks are independent, individual reward systems incent individual behavior.
- **Internal and External Equity.** Member satisfaction and motivation can be influenced by design features that ensure that the organization's pay policies are equitable or fair. Internal equity involves whether similar rewards are given to people holding similar jobs or performing similarly in the organization. Internal inequities typically occur when employees are paid a similar salary or hourly wage regardless of their position or level of performance. Many organizations work hard to establish practices to ensure that people who are doing similar kinds of activities have similar levels of compensation. External equity involves comparing the organization's rewards with those of other organizations in the same labor market. Most human resources policies commit to a reward and compensation system relative to the market. Organizations can decide to pay below, at, or above market rates. In their quest for attracting and retaining scarce human resource talent, many organizations have had to commit to above-market pay schemes. When an organization's reward level does not compare favorably with the level of other organizations, employees are likely to feel inequitably rewarded and may leave.
- **Hierarchy.** Although not often a formal policy, many organizations offer different types of rewards based on a position's level in the organization structure. The recent concerns over CEO pay reflect the increasing prevalence of hierarchical reward systems.[44] In hierarchical systems, senior managers have access to a variety of perquisites, such as reserved parking, corporate transportation, financial aid, or health benefits that others do not.
- **Rewards Mix.** This design feature involves specifying the extent to which different types of rewards are included in the overall reward strategy. These rewards

can include pay in various forms, including base salary, bonuses, commissions, and stock; benefits, such as health care, insurance, child care, leaves, and education; and perquisites, including preferred office space, cell phones, cars, or health club memberships. Recent changes in the laws governing the expensing of stock options are changing the way stock is viewed as part of the rewards mix. In addition, although pay receives most of the attention in reward systems, the contribution of other rewards, such as benefit programs and status incentives, should not be underestimated. For example, rising health care costs and increasing interest in retaining important skills and competencies have resulted in a variety of benefit innovations to increase the value of this reward.[45]

- **Security.** Organizations, such as IBM and AT&T, once offered organization members lifetime employment as a formal policy. Today, the rapid expansion and contraction of markets and the realities of downsizing have dramatically altered the psychological employment contract. Instead of job security, a more instrumental relationship has emerged. However, organizations can and do make commitments to people and job security and this remains an important feature of reward systems.
- **Seniority.** Many reward systems include an implicit or explicit policy concerning the value of longevity. Organizations, especially unionized companies covered by a collective bargaining agreement, often have built-in rewards for increasing lengths of service.

The structural features of a reward system represent important design choices available to human resources and other senior managers. These features interact with work design and employee involvement practices to produce goal-directed behavior and task performance. Considerable research has been done on how different rewards and reward system features affect individual and group performance. The most popular model describing this relationship is value expectancy theory. In addition to explaining how performance and rewards are related, it suggests requirements for designing and evaluating reward systems.

The *value expectancy model*[46] posits that employees will expend effort to achieve performance goals that they believe will lead to outcomes that they value. This effort will result in the desired performance goals if the goals are realistic, if employees fully understand what is expected of them, and if they have the necessary skills and resources. Ongoing motivation depends on the extent to which attaining the desired performance goals actually results in valued outcomes. Consequently, key objectives of reward systems interventions are to identify the intrinsic and extrinsic outcomes (rewards) that are highly valued and to link them to the achievement of desired performance goals.

Based on value expectancy theory, the ability of rewards to motivate desired behavior depends on these five factors:[47]

1. **Availability.** For rewards to reinforce desired performance, they must be not only desired but also available. Too little of a desired reward is no reward at all. For example, pay increases are often highly desired but unavailable. Moreover, pay increases that are below minimally accepted standards may actually produce negative consequences.[48]
2. **Timeliness.** Like effective performance feedback, rewards should be given in a timely manner. A reward's motivating potential is reduced to the extent that it is separated in time from the performance it is intended to reinforce.
3. **Performance contingency.** Rewards should be closely linked with particular performances. If the goal is met, the reward is given; if the target is missed, the reward is reduced or not given. The clearer the linkage between performance and rewards, the better able rewards are to motivate desired behavior. Unfortunately, this crite-

rion often is neglected in practice. Many, if not most, employees nationwide believe that there is no linkage between pay and performance.[49] If salary increases are concentrated at certain levels, almost everyone, regardless of performance level, will get about the same raise.

4. **Durability.** Some rewards last longer than others. Intrinsic rewards, such as increased autonomy and pride in workmanship, tend to last longer than extrinsic rewards. Most people who have received a salary increase realize that it gets spent rather quickly.
5. **Visibility.** To leverage a reward system, it must be visible. Organization members must be able to see who is getting the rewards. Visible rewards, such as placement on a high-status project, promotion to a new job, and increased authority, send signals to employees that rewards are available, timely, and performance contingent.

Reward systems interventions are used to elicit and maintain desired levels of performance. To the extent that rewards are available, durable, timely, visible, and performance contingent, they can support and reinforce organizational goals, work designs, and employee involvement. The next sections describe four types of rewards. Skill-based pay, pay for performance, gain sharing, and promotions can be used to reward individual, team, or organization performance. Each system represents a flexible intervention that is effective in improving employee performance and satisfaction.

Skill- and Knowledge-Based Pay Systems

The most traditional reward system is individual and job based. The characteristics of a particular job are determined, and pay is made comparable to what other organizations pay for jobs with similar characteristics. Pay increases are primarily a function of cost-of-living adjustments (COLA) or small merit pools that are awarded with little relationship to performance. This job evaluation and reward method tends to result in pay systems with high external and internal equity. However, it fails to reward employees for all of the skills that they have, discourages people from learning new skills, and results in a view of pay as an entitlement.[50]

Some organizations, such as General Mills, United Technologies, Frito-Lay, Procter and Gamble, and General Foods, have worked to resolve these problems by designing pay systems according to people's skills and abilities. A recent survey found that almost 24% of the Fortune 1000 use skill- or knowledge-based pay to at least some extent.[51] By focusing on the individual, rather than the job, skill-based pay systems reward learning and growth.

Skill-based pay systems must first establish the skills needed for effective operations, identify the optimal skill profile and number of employees needed with each skill, price each skill and skill set, develop rules to sequence and acquire skills, and develop methods to measure member skill acquisition.[52] Typically, employees are paid according to the number of different jobs that they can perform. For example, in General Mill's Squeeze-It plant, new employees were paid a starting wage at the low end of the skilled worker wage rate for premium employers in the community. They are then assigned to any one of four skill blocks corresponding to a particular set of activities in the production process. For each skill block there are three levels of skill. Pay is based on the level of skill in each of the skill blocks; the more proficient the skill in each block and the more blocks one is proficient at, the higher the pay. After all skill blocks are learned at the highest level, the top rate is given.[53] This progression in skills typically takes two years to complete, and employees are given support and training to learn the new jobs.

Skill-based pay systems have a number of benefits. They contribute to organizational effectiveness by providing a more flexible workforce and by giving employees a broad

perspective on how the entire plant operates. This flexibility can result in leaner staffing and fewer problems with absenteeism, turnover, and work disruptions. Skill-based pay can lead to durable employee satisfaction by reinforcing individual development and by producing an equitable wage rate.[54]

The three major drawbacks of skill-based pay schemes are the tendency to "top out," the expense, and the lack of performance contingency. Top-out occurs when employees learn all the skills there are to learn and then run up against the top end of the pay scale, with no higher levels to attain. Some organizations have resolved this topping-out effect by installing a gain-sharing plan after most employees have learned all relevant jobs. *Gain sharing*, discussed later in this section, ties pay to organizational effectiveness, allowing employees to push beyond previous pay ceilings. Other organizations have resolved this effect by making base skills obsolete and adding new ones, thus raising the standards of employee competence. Skill-based pay systems also require a heavy investment in training, as well as a measurement system capable of indicating when employees have learned the new jobs. These systems typically increase direct labor costs, as employees are paid highly for learning multiple tasks. In addition, because pay is based on skill and not performance, the workforce could be highly paid and flexible but not productive.

Like most new personnel practices, limited evaluative research exists on the effectiveness of these interventions. Long-term assessment of the Gaines Pet Food plant revealed that the skill-based pay plan contributed to both organizational effectiveness and employee satisfaction. Several years after the plant opened, workers' attitudes toward pay were significantly more positive than those of people working in other similar plants that did not have skill-based pay. Gaines workers reported much higher levels of pay satisfaction, as well as feelings that their pay system was fairly administered.[55]

A national survey of skill-based pay plans sponsored by the U.S. Department of Labor concluded that such systems increase workforce flexibility, employee growth and development, and product quality and quantity while reducing staffing needs, absenteeism, and turnover.[56] These results appear contingent on management commitment to the plan and having the right kind of people, particularly those with interpersonal skills, motivation, and a desire for growth and development. This study also showed that skill-based pay is applicable across a variety of situations, including both manufacturing and service industries, production and staff employees, new and old sites, and unionized and nonunionized settings. Finally, in a 1996 survey of Fortune 1000 companies, 42% indicated that skill-based pay systems were successful or very successful, down from 52% in 1993.[57]

Performance-Based Pay Systems

In addition to person- or job-based reward systems, organizations have devised many ways of linking pay to performance,[58] making it the fastest-growing and most popular segment of pay-based reward systems. Studies suggest that 60–70% of businesses have some form of performance-based or variable pay system.[59] They are used in such organizations as American Express, Frito-Lay, and DOW. Pay-for-performance plans tend to vary along three dimensions: (1) the organizational unit by which performance is measured for reward purposes—an individual, group, or organization basis; (2) the way performance is measured—the subjective measures used in supervisors' ratings or objective measures of productivity, costs, or profits; and (3) what rewards are given for good performance—salary increases, stock, or cash bonuses. Table 17.3 lists different types of performance-based pay systems varying along these dimensions and rates them in terms of other relevant criteria.

In terms of linking pay to performance, individual pay plans are rated highest, followed by group plans and then organization plans. The last two plans score lower on

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this factor because pay is not a direct function of individual behavior. At the group and organization levels, an individual's pay is influenced by the behavior of others and by external market conditions. Generally, stock and bonus plans tie pay to performance better than do salary plans. The amount of awarded stock may vary sharply from year to year, whereas salary increases tend to be more stable because organizations seldom cut employees' salaries. Finally, objective measures of performance score higher than subjective measures. Objective measures, such as profit or costs, are more credible, and people are more likely to see the link between pay and objective measures.

Most of the pay plans in Table 17.3 do not produce negative side effects, such as workers falsifying data and restricting performance. The major exceptions are individual bonus plans. These plans, such as piece-rate systems, tend to result in negative effects, particularly when trust in the plan is low. For example, if people feel that piece-rate quotas are unfair, they may hide work improvements for fear that quotas may be adjusted higher.

As might be expected, group- and organization-based pay plans encourage cooperation among workers more than do individual plans. Under the former, it is generally to everyone's advantage to work well together because all share in the financial rewards of higher performance. The organization plans also tend to promote cooperation among functional departments. Because members from different departments feel that they

can benefit from each other's performance, they encourage and help each other make positive contributions.

From an employee's perspective, Table 17.3 suggests that the least acceptable pay plans are individual bonus programs. Employees tend to dislike such plans because they encourage competition among individuals and because they are difficult to administer fairly. Such plans may be inappropriate in some technical contexts. For example, technical innovations typically lead engineers to adjust piece-rate quotas upward because employees should be able to produce more with the same effort. Workers, on the other hand, often feel that the performance worth of such innovations does not equal the incremental change in quotas, thus resulting in feelings of pay inequity. Table 17.3 suggests that employees tend to favor salary increases to bonuses. This follows from the simple fact that a salary increase becomes a permanent part of a person's pay, but a bonus does not.

The overall ratings in Table 17.3 suggest that no one pay-for-performance plan scores highest on all criteria. Rather, each plan has certain strengths and weaknesses that depend on a variety of contingencies. As business strategies, organization performance, and other contingencies change, the pay-for-performance system also must change. At Lincoln Electric, a longtime proponent and model for incentive pay, growth into international markets, poor managerial decisions, and other factors have put pressure on the bonus plan. In one instance, a poor acquisition decision hurt earnings and left the organization short of cash for the bonus payout. The organization borrowed money rather than risk losing employees' trust. Financially weakened by the acquisition, and in combination with the other changes, Lincoln Electric has initiated a planned change effort to examine its pay-for-performance process and recommend a new approach.[60]

When all criteria are taken into account, however, the best performance-based pay systems seem to be group and organization bonus plans that are based on objective measures of performance and individual salary-increase plans. These plans are relatively good at linking pay to performance. They have few negative side effects and at least modest employee acceptance. The group and organization plans promote cooperation and should be used where there is high task interdependence among workers, such as might be found on assembly lines. The individual plan promotes competition and should be used where there is little required cooperation among employees, such as in field sales jobs.

Gain-Sharing Systems

As the name implies, *gain sharing* involves paying employees a bonus based on improvements in the operating results of an organization. Although not traditionally associated with employee involvement, gain sharing increasingly has been included in comprehensive employee involvement projects. Many organizations, such as Nucor, Weyerhaeuser, and 3M, are discovering that when designed correctly, gain-sharing plans can contribute to employee motivation, involvement, and performance.

Developing a gain-sharing plan requires making choices about the following design elements:[61]

- **Process of design.** The success of a gain-sharing system depends on employee acceptance and cooperation. Recommended is a participative approach that involves a cross section of employees to design the plan and be trained in gain-sharing concepts and practice. The task force should include people who are credible and represent both management and nonmanagement interests.
- **Organizational unit covered.** The size of the unit included in the plan can vary widely, from departments or plants with less than 50 employees to companies with several thousand people. A plan covering the entire plant would be ideal in

situations where there is a freestanding plant with good performance measures and an employee size of less than 500. When the number of employees exceeds 500, multiple plans may be installed, each covering a relatively discrete part of the company.

- **Bonus formula.** Gain-sharing plans are based on a formula that generates a bonus pool, which is divided among those covered by the plan. Although most plans are custom-designed, there are two general considerations about the nature of the bonus formula. First, a standard of performance must be developed that can be used as a baseline for calculating improvements or losses. Some plans use past performance to form a historical standard, whereas others use engineered or estimated standards. When available, historical data provide a relatively fair standard of performance; engineer-determined data can work, however, if there is a high level of trust in the standard and how it is set. Second, the costs included in arriving at the bonus must be chosen. The key is to focus on those costs that are most controllable by employees. Some plans use labor costs as a proportion of total sales; others include a wider range of controllable costs, such as those for materials and utilities.
- **Sharing process.** Once the bonus formula is determined, it is necessary to decide how to share gains when they are obtained. This decision includes choices about what percentage of the bonus pool should go to the company and what percentage to employees. In general, the company should take a percentage low enough to ensure that the plan generates a realistic bonus for employees. Other decisions about dividing the bonus pool include who will share in the bonus and how the money will be divided among employees. Typically, all employees included in the organizational unit covered by the plan share in the bonus. Most plans divide the money on the basis of a straight percentage of total salary payments.
- **Frequency of bonus.** Most plans calculate a bonus monthly. This typically fits with organizational recording needs and is frequent enough to spur employee motivation. Longer payout periods generally are used in seasonal businesses or where there is a long production or billing cycle for a product or service.
- **Change management.** Organizational changes, such as new technology and product mixes, can disrupt the bonus formula. Many plans include a steering committee to review the plan and to make necessary adjustments, especially in light of significant organizational changes.
- **The participative system.** Many gain-sharing plans include a participative system that helps to gather, assess, and implement employee suggestions and improvements. These systems generally include a procedure for formalizing suggestions and different levels of committees for assessing and implementing them.

Although gain-sharing plans are tailored to each situation, three major plans are used most often: the Scanlon plan, the Rucker plan, and Improshare. The most popular program is the Scanlon plan, and was pioneered in such firms as Donnelly Corporation, De Soto, Midland-Ross, and Dana Corporation. The incentive part of the Scanlon plan generally includes a bonus formula based on a ratio measure comparing total sales volume to total payroll expenses. This measure of labor cost efficiency is relatively responsive to employee behaviors and is used to construct a historical base rate at the beginning of the plan. Savings resulting from improvements over this base make up the bonus pool. The bonus is often split equally between the company and the employees, with all members of the organization receiving bonuses of a percentage of their salaries. The Rucker plan and Improshare use different bonus formulas and place less emphasis on worker participation than does the Scanlon plan.[62]

More recently, *goal-sharing* plans have also emerged. Like gain sharing, goal-sharing plans pay bonuses when performance exceeds a standard, but differ in that goal-sharing plans are not based on historical and well-understood performance measures.

Rather, goal-sharing plans use changing strategic objectives as the primary standard of performance. Thus, goal sharing is a more flexible reward system than gain sharing.

Gain-sharing plans tie the goals of workers to the organization's goals. It is to the financial advantage of employees to work harder, to cooperate with each other, to make suggestions, and to implement improvements. Reviews of the empirical literature and individual studies suggest that when such plans are implemented properly, organizations can expect specific improvements.[63] A study sponsored by the General Accounting Office found that plans in place for more than five years averaged annual savings of 29% in labor costs;[64] there also is evidence to suggest that they work in 50% to 80% of the reported cases.[65] A report on four case studies in manufacturing and service settings noted significant increases in productivity (32% in manufacturing and 11% in services), as well as in several other measures.[66] A longitudinal field study employing experimental and control groups supports gain sharing's positive effect over time and even after the group's bonus is discontinued.[67] Other reported results include enhanced coordination and teamwork; cost savings; acceptance of technical, market, and methods changes; demands for better planning and more efficient management; new ideas as well as effort; reductions in overtime; more flexible union–management relations; and greater employee satisfaction.[68]

Gain-sharing plans are better suited to certain situations than to others, and Table 17.4 lists conditions favoring such plans. In general, gain sharing seems suited to small organizations with a good market, simple measures of historical performance, and production costs controllable by employees. Product and market demand should be relatively stable, and employee–management relations should be open and based on trust. Top management should support the plan, and support services should be willing and able to respond to increased demands. The workforce should be interested in and knowledgeable about gain sharing and should be technically proficient in its tasks.

Application 17.3 describes the reward system at Lands' End Direct Merchants.[69] It describes a variety of reward system design features as well as how a number of different types of rewards can be mixed together to produce an overall reward system.

Promotion Systems

Like decisions about pay increases, many decisions about promotions and job movements in organizations are made in a top-down, closed manner: Higher-level managers decide whether lower-level employees will be promoted. This process can be secretive, with people often not knowing that a position is open, that they are being considered for promotion, or the reasons why some people are promoted but others are not. Without such information, capable people who might be interested in a new job may be overlooked. Furthermore, because employees may fail to see the connection between good performance and promotions, the motivational potential of promotions is reduced. Finally, emphasizing promotions as a reward focuses attention on advancement instead of developing new skills and knowledge and can lead to reduced flexibility in the workforce.

Fortunately, this is changing. Most organizations today have tried to reduce the secrecy surrounding promotions and job changes by openly posting the availability of new jobs and inviting people to nominate themselves.[70] Although open job posting entails extra administrative costs, it can lead to better promotion decisions. Open posting increases the pool of available personnel by ensuring that interested people will be considered for new jobs and that capable people will be identified. Open posting also can increase employee motivation by showing that a valued reward is available and contingent on performance.

Some organizations have increased the accuracy and equity of job-change decisions by including peers and subordinates in the decision-making process. Peer and subordinate judgments about a person's performance and promotability help bring all

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relevant data to bear on promotion decisions. Such participation can increase the accuracy of these decisions and can make people feel that the basis for promotions is equitable. In many self-regulating work teams, for example, the group interviews and helps select new members and supervisors. This helps ensure that new people will fit in and that the group is committed to making that happen. Evidence from high-involvement plants suggests that participation in selecting new members can lead to greater group cohesiveness and task effectiveness.[71]

Reward-System Process Issues

Thus far, we have discussed different reward systems and assessed their strengths and weaknesses. Considerable research has been conducted on the process aspect of reward systems. Process refers to how pay and other rewards typically are administered in the organization. At least two process issues affect employees' perceptions of the reward

application 17.3

Revising the Reward System at Lands' End

Lands' End Direct Merchants is an international catalog retailer employing a seasonal workforce that varies between 5,500 and 8,500 full- and part-time staff. It is widely recognized as one of the best companies to work for as a result of its participative culture, employment practices, and rewards. The company operates through a simple belief in employees "doing the right thing." This philosophy has helped to make the company an employer of choice.

The organization has been proactively rethinking and implementing specific aspects of its reward system over a four-year period to help Lands' End stay ahead of other companies. The reward system is a mix of competitive pay, innovative benefits, work–life initiatives, and a variety of internal opportunities that encourage organization members to progress.

The firm's reward strategy is guided by principles such as maintaining direct and clear communication channels regarding any aspect of employment practice; encouraging the free exchange of information, ideas, and suggestions; and where possible, eliminating any causes and conditions that lead to inequities, complaints, or employee dissatisfaction. For example, an employee job-evaluation committee annually reviews and analyzes pay rates in different organizations and industries. This task force, composed of a variety of employees, then assigns specific wage levels to work positions. As a result, rates are perceived as fair by individuals while Lands' End itself learns more about how to value jobs and work based on predefined factors such as knowledge, skills, environment, and responsibility.

In the area of pay, one of the key changes has been a shift from rewarding a job population to rewarding the person. For example, under the old reward system, all salaried people used to receive a cash bonus based on sales volume and profits for the entire company. Now, each job is assigned an annual-incentive-plan target expressed as a percentage of base salary. Payouts on the plan are dependent on actual pretax profit performance of the whole company and the business-units-against-performance goals established each year by the board. Individual bonuses are based 50% on business-unit performance and 50% on corporate performance, thus linking individual effort to both local and organizational results.

In addition to the above changes in the pay system, the organization is piloting a gain-sharing-style bonus plan designed by a departmental task force for a small, 20-person unit. It is being progressively deployed across the operations organization. Five operations departments have so far designed plans to link people's effort and knowledge to business-unit results—in both cost and quality terms. Each operations department has its own performance measures. For example, employees in the order-filling department are measured on a cost-per-piece and quality basis. These changes are being made to introduce group- or departmental-level performance rewards in addition to individual pay and annual-incentive-plan bonuses.

An individual reward system for the large hourly workforce supplements the bonus system. The in-puts to the system are the employee job-evaluation committee's assignment of wage grades to jobs. Each grade has a minimum and maximum hourly rate, with six steps in between. Full- and part-time employees can progress through these six steps and increase their pay by completing a required number of hours in the job and satisfactorily meeting four generic performance standards that are specifically interpreted for each job and function. The four performance standards are as follows:

- **Service:** helpfulness and support for customers and colleagues
- **Quality:** how well the job is done
- **Quantity:** a measure of individual productivity
- **Reliability:** a measure of dependability.

These four performance standards are reviewed during performance reviews with immediate supervisors throughout the year. An individual's ratings are based on achieving jointly set personal goals that are tied to

- The four performance standards
- Job responsibilities and competencies
- Personal aspirations
- Business-unit objectives
- The spirit of Lands' End principles of doing business.

Pay increases within a grade are given automatically until the maximum within grade rate is achieved. Then annual company increases only are received until the employee enters a new grade. The system is based on giving credit for hours worked in each grade, although individuals can be promoted to a higher grade and begin the process again. Hourly employees can also receive an annual performance bonus based on annual-incentive-plan computations that is typically between 2% and 4% of earnings.

Lands' End is also attempting to repackage work-life benefits to suit individual preferences, and so get greater value from its significant investments in this area. The main elements of the work–life benefits are as follows:

- Plans for health care and additional retirement health care
- Child-care leave, summer camps, and provision of an on-site day-care center
- Health promotion and sports facilities
- A range of time-off-with-pay schemes, for matters ranging from family member illness to child adoption
- Employee-assistance programs to support life changes or crises
- Flexible working hours
- Education opportunities with financial support
- Job share and a six-week "try a job" work-experience scheme
- An emergency fund to help employees who suffer loss because of fire, tornado, or flood.

Lands' End also offers between $35 and $1,000 to employees who recommend people who subsequently come to work for the company. More than half of job applicants from outside the company are usually referrals.

The guiding principle in Lands' End's thinking to pay the person rather than a given job population, repackage incentives and not reinvent them, and manage individuals rather than the compensation plan or system itself for best results has been simplicity. Through the reward system revision process, the organization has learned the importance of (1) involving and educating leaders and top managers to gain the confidence of business partners; (2) clearly stating the business case; (3) listening to others and inviting feedback on the basis of engagement and respect; (4) continually challenging yourself to stay abreast of new developments or options that are emerging in the areas of compensation and benefits; and (5) achieving a level of change with which people feel comfortable to encourage participation in ongoing dialogue.

system: who should be involved in designing and administering the reward system, and what kind of communication should exist with respect to rewards.[72]

Traditionally, reward systems are designed by top managers and compensation specialists and are simply imposed on employees. Although this top-down process may result in a consistent system, it cannot ensure that employees will understand and trust it, and more often than not, it results in a system that does not improve performance. In the absence of trust, workers are more likely to develop negative perceptions of the reward system. There is growing evidence that employee participation in the design and administration of a reward system can increase employee understanding and can contribute to feelings of control over and commitment to the plan. In fact, research supports that when managers "own" the performance management process and see it as a way to manage workforce performance, there are more positive attitudes toward the overall system as well as improved performance. In contrast, there is no relationship between attitudes about the system and the extent to which human resources "owns" the process.[73]

Lawler and Jenkins described a small manufacturing plant where a committee of workers and managers designed a pay system, after studying alternative plans and collecting salary survey data.[74] This resulted in a plan that gave control over salaries to members of work groups. Team members behaved responsibly in setting wage rates. They gave themselves 8% raises, which fell at the 50th percentile in the local labor market. Moreover, the results of a survey administered six months after the start of the new pay plan showed significant improvements in turnover, job satisfaction, and satisfaction with pay and its administration. Lawler attributed these improvements to employees having greater information about the pay system. Participation led to employee ownership of the plan and feelings that it was fair and trustworthy.

Communication about reward systems also can have a powerful impact on employee perceptions of pay equity and on motivation. Most organizations maintain secrecy about pay rates, especially in the managerial ranks. Managers typically argue that secrecy is preferred by employees. It also gives managers freedom in administering pay because they do not have to defend their judgments. There is evidence to suggest, however, that pay secrecy can lead to dissatisfaction with pay and to reduced motivation. Dissatisfaction derives mainly from people's misperceptions about their pay relative to the pay of others. Research shows that managers tend to overestimate the pay of peers and of people below them in the organization and that they tend to underestimate the pay of superiors. These misperceptions contribute to dissatisfaction with pay because regardless of a manager's pay level, it will seem small in comparison to the perceived pay level of subordinates and peers. Perhaps worse, potential promotions will appear less valuable than they actually are.

Secrecy can reduce motivation by obscuring the relationship between pay and performance. For organizations having a performance-based pay plan, secrecy prevents employees from testing whether the organization is actually paying for performance; employees come to mistrust the pay system, fearing that the company has something to hide. Secrecy can also reduce the beneficial impact of accurate performance feedback. Pay provides people with feedback about how they are performing in relation to some standard. Because managers overestimate the pay of peers and subordinates, they will consider their own pay low and thus perceive performance feedback more negatively than it really is. Such misperceptions about performance discourage those managers who are actually performing effectively.

Fortunately, more organizations are openning up their pay information. A recent study of Fortune 1000 companies found that 61% had some form of open pay policy covering at least a quarter of the workforce.[75] For organizations having a history of secrecy, initial steps toward an open reward system should be modest. For example, an organization could release information on pay ranges and median salaries for different jobs. Organizations with unions generally publish such data for lower-level jobs, and extending that information to all jobs would not be difficult. Once organizations have established higher levels of trust about pay, they might publicize information about the size of raises and who receives them. Finally, as organizations become more democratic, with high levels of trust among managers and workers, they can push toward complete openness about all forms of rewards.

It is important to emphasize that both the amount of participation in designing reward systems and the amount of frankness in communicating about rewards should fit the rest of the organization design and managerial philosophy. Clearly, high levels of participation and openness are congruent with democratic organizations. It is questionable whether authoritarian organizations would tolerate either one.

SUMMARY

This chapter presented three types of human resources management interventions: goal setting, performance appraisal, and reward systems. Although all three change programs are relatively new to organization development, they offer powerful methods for managing employee and work-group performance. They also help enhance worker satisfaction and support work design, business strategy, and employee involvement practices.

Principles contributing to the success of goal setting include establishing challenging goals and clarifying measurement. These are accomplished by setting difficult but feasible goals, managing participation in the goal-setting process, and being sure that the goals can be measured and influenced by the employee or work group. The most common form of goal setting—management by objectives—depends on top-management support and participative planning to be effective.

Performance appraisals represent an important link between goal setting and reward systems. As part of an organization's feedback and control system, they provide employees and work groups with information they can use to improve work outcomes. Appraisals are becoming more participative and developmental. An increasing number of people are involved in collecting performance data, evaluating an employee's performance, and determining how the appraisee can improve.

Reward systems interventions elicit, reinforce, and maintain desired performance. They can be oriented to individual jobs, work groups, or organizations and affect both performance and employee well-being. In addition to traditional job-based compensation systems, the major reward systems interventions in use today are skill-based pay, pay for performance, gain sharing, and promotions. Each of the plans has strengths and weaknesses when measured against criteria of performance contingency, equity, availability, timeliness, durability, and visibility. The critical process of implementing a reward system involves decisions about who should be involved in designing and administering it and how much information about pay should be communicated.

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18

Developing Talent

This is the second chapter on human resource management interventions. It presents three interventions concerned with managing talent in organizations. First, coaching interventions attempt to improve an individual's ability to set and meet goals, lead change, improve interpersonal relations, handle conflict, or address style issues. These resource-intense interventions focus on the skills, knowledge, and capabilities of an organization member, usually a manager or executive but in the case of mentoring can also apply to individual contributors. Second, career planning and development interventions address different professional needs and concerns as members progress through their work lives. Third, management and leadership development processes are human resource interventions that attempt to transfer knowledge and skills to many individuals. They can include in-house training programs, external educational opportunities, action-learning projects, and other activities. In the following chapter, we present interventions that address workforce diversity, stress, and employee wellness.

COACHING AND MENTORING

Coaching involves working with organizational members, typically managers and executives, on a regular basis to help them clarify their goals, deal with potential stumbling blocks, and improve their performance. This intervention is highly personal and generally involves a one-on-one relationship between the OD practitioner and the client. Almost every OD intervention involves some coaching. However, the intervention described here helps managers to gain perspective on their dilemmas and transfer their learning into organizational results; it increases their leadership skill and effectiveness.[1]

Similar to coaching, mentoring involves establishing a relationship between a manager or someone more experienced and another organization member who is less experienced. Unlike coaching, mentoring is often more directive, with the mentor intentionally transferring specific knowledge and skill and guiding the client's activities, perhaps as part of a career development process (see career planning and development processes in the next section).[2]

Coaching can be seen as a specialized form of OD, one that is focused on using the principles of applied behavioral science to increase the capacity and effectiveness of individuals as opposed to groups or organizations. It is one of the fastest-growing areas of OD practice. The International Coach Federation (http://www.coachfederation.org), founded in 1995, grew to over 5,500 members in 2002 and doubled to over 11,000 members in 2006. CoachVille (http://www.coachville.com), the largest professional network and trainer of coaches worldwide, has over 30,000 members. They both offer coaching certification programs and standards to professionalize the field.

Coaching is itself a skill that any OD practitioner or manager can develop.[3] It involves using guided inquiry, active listening, reframing, and other techniques to help individuals see new or different possibilities and to direct their efforts toward what

matters most to them. When done well, coaching improves personal productivity and builds capacity in individuals to lead more effectively. Unfortunately, despite growing professionalism in the coaching field, the process can be technique driven, especially when formulas, tools, and advice are substituted for experience, good judgment, facilitation, and compassion.

What Are the Goals?

Coaching typically addresses one or more of the following goals: assisting an executive to more effectively execute some transition, such as a merger integration or downsizing; addressing a performance problem; or developing new behavioral skills as part of a leadership development program. In any case, coaching is often confused with therapy.[4] Most coaching approaches acknowledge that coaching is not therapy. While both coaching and therapy focus on personal development, coaching assumes that the client is healthy rather than suffering from some pathology. Coaching is also primarily future and action oriented rather than focused on the past, as are many therapeutic models. Coaching involves helping clients understand how their behaviors are contributing to the current situation. Such understanding is often difficult to achieve and often deeply personal. Therefore, the limits of a coach's skills and abilities must be acknowledged. Many coaching failures have been attributed to working too far from the practical application of behavioral principles, or too close to the boundaries of therapy, and to the failure of the coach to understand the difference.

Application Stages

The coaching process closely follows the process of planned change outlined in Chapter 2, including entry and contracting, assessment, debriefing (feedback), action planning, intervention, and assessment.[5] The mentoring process is similar except that the assessment is generally presumed and the process moves straight to action planning interventions.

1. **Establish the principles of the relationship.** The initial phases of a coaching intervention involve establishing the goals of the engagement; the parameters of the relationship, such as schedules, resources, and compensation; and ethical considerations, such as confidentiality and boundary issues.
2. **Conduct an assessment.** This process can be personal or systemic. In a personal assessment, the client is guided through an assessment framework.[6] It can involve a set of interview questions that elicit development opportunities or a more formal personal-style instrument, such as the Myers–Briggs Type Indicator, the FIRO-B, or DISC profile. Other instruments, including the Hogan's battery of tests, the Minnesota Multiphasic Personality Inventory (MMPI), or the "Big 5" instrument, can also be used, but they require extensive training and certification. OD practitioners should carefully consider the ethics of using different instruments and their qualifications for administering and interpreting the results. In a systemic assessment, the client's team, peers, and relevant others are engaged in the process. The most common form of systemic assessment involves a 360-degree feedback process.
3. **Debrief the results.** The coach and client review the assessment data and agree on a diagnosis. The principles of data feedback outlined in Chapter 8 apply here. The purpose of the feedback session is to get the client to move to action. In light of the assessment data, intervention goals can be further refined and revised if necessary.
4. **Develop an action plan.** The specific activities the client and coach will engage in are outlined. These can include new actions that will lead to goal achievement, learning opportunities that build knowledge and skill, or projects to demonstrate

competence. Developing an action plan can be the most difficult part of the process because the client must own the results of the assessment and begin to see new possibilities for action. The action plan should also include methods and milestones to monitor progress and to evaluate the effectiveness of the coaching process.

5. **Implement the action plan.** In addition to the elements of the action plan listed above, much of the coaching process involves one-on-one meetings between the coach and the client. In these sessions, the coach supports and encourages the client to act on her/his intentions. A considerable amount of skill is required to confront, challenge, and facilitate learning.
6. **Assess the results.** At appropriate intervals, the coach and client review and evaluate the results of implementation. Based on this information, the goals or action plans can be revised, or the process can be terminated.

The Results of Coaching and Mentoring

Although coaching has been practiced for many years, the number of studies assessing its effectiveness is small but growing. Most of the evidence remains anecdotal and case based although a few large sample studies have been conducted.[7] The case evidence cites diverse benefits depending on the nature of the client's objectives. For example, one study found that coaching improved personal productivity, quality, working relationships, and job satisfaction. The return was estimated to be 5.7 times the initial investment.[8] Another study reported that managers found positive results with respect to their personal lives, social interactions with others, and the skills and knowledge that were important to their work.[9]

In one of the few experimental studies, a pre–post test design in a government organization found that the experimental group receiving coaching made significant improvements compared to the control group on two of six measures. The experimental group improved significantly with respect to "acting in a balanced way" and in beliefs about their ability to set goals. The relatively weak coaching intervention, lasting only four months and consisting of only one to eight meetings, may explain the lack of more robust results during that time period.[10] Clearly, more rigorous studies are necessary to judge the effectiveness of coaching interventions.

The modest research on mentoring suggests that it is relatively prevalent in organizations. About two-thirds of top executives report having a mentor or sponsor during their early career stages, when learning, growth, and advancement were most prominent. Effective mentors were willing to share knowledge and experience, were knowledgeable about the company and the use of power, and were good counselors. Mentored executives, in contrast to executives who did not have mentors, received slightly more compensation, had more advanced college degrees, had engaged in career planning prior to mentoring, and were more satisfied with their careers and their work.[11]

Research also shows that mentoring is critical for minority and female employees. One recent study of mentoring minorities stresses that a strong network of mentors is critical to advancement, and that the mentor of minorities must understand the challenges that race presents to career development and advancement.[12] Similarly, women face unique challenges, and must address some of the same issues.

CAREER PLANNING AND DEVELOPMENT INTERVENTIONS

Organizations are becoming more and more reliant on their "intellectual capital." The war for talent, the changing nature of the workforce, shifting social expectations about work and family, and increasingly knowledge-based strategies have pressured organizations to rethink their role in managing careers and developing their human capital.[13] Providing career planning and development opportunities as well as management and

leadership development programs help to recruit and retain skilled and knowledgeable workers. Many talented job candidates, especially minorities and women, are showing preference and more loyalty for employers who offer career and leadership development opportunities.

Career planning and development interventions are an important tool in developing and retaining an effective workforce. Growing numbers of managers and professional staff are seeking more control over their work lives. Organization members, especially women, minorities, mid-career workers, and new college recruits, are not willing to have their careers "just happen" and are taking an active role in planning and managing them.[14] For example, a study by the Hay Group found that technology professionals were willing to leave their jobs for better career development opportunities.[15]

Many organizations—General Electric, Xerox, Intel, Ciba-Geigy, Cisco Systems, Quaker Oats, and Novotel UK, among others—have adapted their career planning and development programs to meet the needs of their members. These programs have attempted to improve the quality of work life for managers and professionals, enhance their performance, increase employee retention, and respond to equal employment and affirmative action legislation. Companies have discovered that organizational growth and effectiveness require career development programs to ensure that needed talent will be available. Competent managers are often the scarcest resource. Many companies also have experienced the high costs of turnover among recent college graduates, including MBAs; the turnover can reach 50% after five years. Career planning and development help attract and hold such highly talented people and can increase the chances that their skills and knowledge will be used.

What Are the Goals?

Career planning and development interventions provide the appropriate resources, tools, and processes necessary to help organization members plan and attain their career objectives. A career consists of a sequence of work-related positions occupied by a person during the course of a lifetime.[16] *Career planning* is concerned with individuals choosing jobs, occupations, and organizations at each stage of their careers. *Career development* involves helping employees attain career objectives.[17] Although both of these interventions generally are aimed at managerial and professional employees, a growing number of programs are including lower-level employees, particularly those in white-collar jobs.

Research suggests that employees progress through at least four distinct career stages as they mature and gain experience. Each stage has unique concerns, needs, and challenges.

1. **The establishment stage (ages 21–26).** This phase is the outset of a career when people are generally uncertain and may be stressed about their competence and potential. They are dependent on others, especially bosses and more experienced employees, for guidance, support, and feedback. At this stage, people are making initial choices about committing themselves to a specific career, organization, and job. They are exploring possibilities while learning about their own capabilities.
2. **The advancement stage (ages 26–40).** During this phase, employees become independent contributors who are concerned with achieving and advancing in their chosen careers. They have typically learned to perform autonomously and need less guidance from bosses and closer ties with colleagues. This settling-down period also is characterized by attempts to clarify the range of long-term career options.
3. **The maintenance stage (ages 40–60).** This phase involves leveling off and holding on to career successes. Many people at this stage have achieved their greatest

advancements and are now concerned with helping less-experienced subordinates. For those who are dissatisfied with their career progress, this period can be conflictual and depressing, as characterized by the term "midlife crisis." People often reappraise their circumstances, search for alternatives, and redirect their career efforts. Success in these endeavors can lead to continuing growth, whereas failure can lead to early decline.

4. **The withdrawal stage (age 60 and above).** This final stage is concerned with leaving a career. It involves letting go of organizational attachments and getting ready for greater leisure time and retirement. The employee's major contributions are imparting knowledge and experience to others. For those people who are generally satisfied with their careers, this period can result in feelings of fulfillment and a willingness to leave the career behind.

The different career stages represent a broad developmental perspective on people's jobs. They provide insight into the personal and career issues that people are likely to face at different career phases. These issues can be potential sources of stress because employees are likely to go through the phases at different rates, and to experience personal and career issues differently at each stage. For example, one person may experience the maintenance stage as a positive opportunity to develop less-experienced employees; another person may experience the maintenance stage as a stressful leveling off of career success.

Application Stages

The two primary applications steps are establishing a mechanism for career planning and assembling an appropriate set of career development processes.

Establish a Career Planning Mechanism Career planning involves setting individual career objectives. It is highly personalized and generally includes assessing one's interests, capabilities, values, and goals; examining alternative careers; making decisions that may affect the current job; and planning how to progress in the desired direction. This process results in people choosing jobs, occupations, and organizations. It determines, for example, whether individuals will accept or decline promotions and transfers and whether they will stay with or leave the company for another job or for retirement.

Individual responsibility for careers and career planning has increased significantly, and recent estimates project that an individual career beginning now will involve an average of eight major job and/or organization changes. The U.S. Department of Labor estimates that the average annual turnover in an organization is 20%. Such turnover rates are not confined to the United States. Turnover among professional employees in China was over 18% in 2006.[18] Further, as organizations downsize and restructure, there is less trust in the organization to provide job security. In the past, when employees more frequently spent their entire career in one organization, careers were judged in terms of advancement and promotion upward in the organizational hierarchy. Today, they are defined in more holistic ways to include a person's attitudes, experiences, and ability to perform. For example, individuals may make numerous job changes to acquire additional responsibilities, skills, and knowledge within or across organizations, or they can remain in the same job, acquiring and developing new skills, and have a successful career. Similarly, people may move horizontally through a series of jobs in different functional areas of the firm. Although they may not be promoted upward in the hierarchy, their broadened job experiences constitute a successful career.

The four career stages can be used to make career planning more effective. Table 18.1 shows the different career stages and the career planning issues relevant at each phase. Applying the table to a particular employee involves first diagnosing the person's existing career stage—establishment, advancement, maintenance, or withdrawal. Next,

[Table 18.1]

Career Stages and Career Planning Issues

CAREER STAGE	CAREER PLANNING ISSUES
Establishment	What are alternative occupations, organizations, and jobs? What are my interests and capabilities? How do I get the work accomplished? Am I performing as expected? Am I developing the necessary skills for advancement?
Advancement	Am I advancing as expected? How can I advance more effectively? What long-term options are available? How do I get more exposure and visibility? How do I develop more effective peer relationships? How do I better integrate career choices with my personal life?
Maintenance	How do I help others become established and advance? Should I reassess myself and my career? Should I redirect my actions?
Withdrawal	What are my interests outside of work? What post-retirement work options are available to me? How can I be financially secure? How can I continue to help others?

available career planning resources are used to help the employee address pertinent issues. Career planning programs include some or all of the following resources:

- Communication about career opportunities and resources available to employees within the organization
- Workshops to encourage employees to assess their interests, abilities, and job situations and to formulate career development plans
- Career counseling by managers or human resources personnel
- Self-development materials, such as books, videotapes, and other media, directed toward identifying life and career issues
- Assessment programs that provide various tests of vocational interests, aptitudes, and abilities relevant to setting career goals.

According to Table 18.1, the company should provide members in the establishment stage with considerable communication and counseling about available career paths and the skills and abilities needed to progress in them. Workshops, self-development materials, and assessment techniques should be aimed at helping employees assess their interests, aptitudes, and capabilities and at linking that information to possible careers and jobs. Considerable attention should be directed to giving employees continual feedback about job performance and to counseling them about how to improve it. The supervisor–subordinate relationship is especially important for these feedback and development activities.

In the advancement stage, organizations should provide members with communication and counseling about challenging assignments and possibilities for more exposure and demonstration of skills. This communication and counseling should help clarify the range of possible long-term career options and provide members with some idea about where they stand in achieving them. Workshops, developmental materials, and assessment methods should be aimed at helping employees develop wider collegial

relationships, join with effective mentors and sponsors, and develop more creativity and innovation. These activities also should help people assess both career and personal life spheres and integrate them more successfully.

At the maintenance stage, the firm should provide individuals with communications about the broader organization and how their desires and roles might fit into it. Workshops, developmental materials, counseling, and assessment techniques should be aimed at helping employees to assess and develop skills to train and coach others.

Organizations should provide members in the withdrawal stage with communications and counseling about options for post-retirement work and financial security, and it should convey the message that the employee's experience in the organization is still valued. Retirement planning workshops and materials can help employees gain the skills and information necessary to make a successful transition from work to nonwork life. They can prepare people to shift their attention away from the organization to other interests and activities.[19]

Effective career planning and development requires a comprehensive program integrating both corporate business objectives and employee career needs. As shown in Figure 18.1, this is accomplished through human resources planning aimed at developing and maintaining a workforce to meet business objectives. It includes recruiting new talent, matching people to jobs, helping them develop careers and perform effectively, and preparing them for satisfactory retirement. Career planning activities feed into and support career development and human resources planning activities.

Assemble an Appropriate Set of Career Development Processes Career development interventions help individuals achieve their career objectives. Career development follows closely from career planning and includes organizational practices that help employees implement those plans. Career development can be integrated with people's career needs by linking it to different career stages. As described earlier, employees progress through distinct career stages, each with unique issues relevant to career planning: establishment, advancement, maintenance, and withdrawal. Career development interventions help members implement these plans. Table 18.2 identifies career development interventions, lists the career stages to which they are most relevant, and defines their key purposes and intended outcomes. It shows that career development practices may apply to one or more career stages and that many interventions double as both career development processes and interventions in their own right. Performance management, for example, is relevant to all stages, but especially in establishment and advancement stages, and is an important independent intervention (Chapter 17). Career development interventions also can contribute to different organizational outcomes such as lowering turnover and costs and enhancing member satisfaction.

Career development interventions traditionally have been applied to younger employees who have a longer time period to contribute to the firm than do older members. Managers often stereotype older employees as being less creative, alert, and productive than younger workers and consequently provide them with less career development support. However, the aging of the workforce has focused new attention on older workers, including a focus on the pace and organization of work, physical and psychological factors, and ergonomic factors.[20] Table 18.2 suggests that the OD field has kept pace with these trends: six of the eight interventions presented there apply to the withdrawal stage. This emphasis is likely to remain as the U.S. workforce continues to gray. To sustain a highly committed and motivated workforce, organizations increasingly will have to address the career needs of older employees. They will have to recognize and reward the contributions that older workers make to the company. Workforce diversity interventions, discussed in the next chapter, are a positive step in that direction.

We present eight interventions that can be mixed and matched to meet the needs of a diverse workforce, including realistic job previews, assessment centers, job rotation

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and challenging assignments, consultative roles and mentoring, performance management, developmental training, work–life balance, and phased retirement.

Realistic Job Preview. This intervention provides applicants with credible expectations about the job during the recruitment process. It provides recruits with information about whether the job is likely to be consistent with their needs and career plans. Knowledge resulting from realistic job previews can be especially useful during the establishment stage, when people are most in need of full and balanced information about organizations and jobs. It also can help employees during the advancement stage, when job changes are likely to occur because of promotion. Research suggests that people may develop unrealistic expectations about the organization and job. They can suffer from "reality shock" when those expectations are not fulfilled and may leave the organization or stay and become disgruntled and unmotivated. To overcome these problems, organizations such as Texas Instruments, Prudential Insurance, and Johnson & Johnson provide new recruits with information about both the positive and the negative aspects of the company and the job. They furnish recruits with booklets, talks, and site visits showing what organizational life is really like. Such information reduces the chances that employees will develop unrealistic job expectations, become disgruntled, and leave the company, especially when their tenure is viewed over the long term.[21]

[Table 18.2]

Career Development Interventions

INTERVENTION	CAREER STAGE	PURPOSE	INTENDED OUTCOME
Realistic job preview	Establishment Maintenance Advancement	To provide members with an accurate expectation of work requirements	Reduce turnover Reduce training costs Increase commitment
Assessment centers	Establishment Maintenance Advancement Withdrawal	To select and develop members for managerial and technical jobs	Increase person-job fit Identify high-potential candidates
Job rotation and challenging assignments	Establishment Maintenance Advancement	To provide members with interesting work assignments leading to career objective	Reduce turnover Build organizational knowledge Increase job satisfaction Maintain member motivation
Consultative roles	Maintenance Withdrawal	To help members fill productive roles later in their careers and provide less experienced members with exposure to key knowledge and skill	Increase problem-solving capacity Increase job satisfaction Increase member motivation
Developmental training	Establishment Maintenance Advancement Withdrawal	To provide education and training opportunities that help members achieve career goals	Increase organizational capacity
Performance management	Establishment Maintenance Advancement Withdrawal	To provide members with knowledge about their career progress and work effectiveness	Increase productivity Increase job satisfaction Monitor human resources development
Work–life balance	Establishment Maintenance Advancement Withdrawal	To help members balance work and personal goals	Improve quality of life Increase productivity & morale Increase organizational commitment Decrease absenteeism Decrease turnover

Assessment Centers. This intervention was traditionally designed to help organizations select and develop employees with high potential for managerial jobs. More recently, assessment centers have been extended to career development and to selection of people to fit new work designs, such as self-managing teams.[22] Assessment centers can

be designed and operated "in house," but are often contracted out to consulting firms that specialize in selection and assessment psychology.

When used to evaluate managerial capability, assessment centers typically process 12–15 people at a time and require them to spend two to three days on site. Participants are given a comprehensive interview, take several tests of mental ability and knowledge, and participate in individual and group exercises intended to simulate managerial work. An assessment team consisting of experienced managers and human resources specialists observes the behaviors and performance of each candidate. This team arrives at an overall assessment of each participant's managerial potential, including a rating on several items believed to be relevant to managerial success in the organization, and pass the results to management for use in making promotion decisions.

Assessment centers have been applied to career development as well, where the emphasis is on feedback of results to participants. Trained staff help participants hear and understand feedback about their strong and weak points. They help participants become clearer about career advancement and identify training experiences and job assignments to promote that progress. When used for developmental purposes, assessment centers can provide employees with the support and direction needed for career development. They can demonstrate that the company is a partner rather than an adversary in that process. Although assessment centers can help people's careers at all stages of development, they seem particularly useful at the advancement stage, when employees need to assess their talents and capabilities in light of long-term career commitments.

Job Rotation and Challenging Assignments. The purpose of these interventions is to provide employees with the experience and visibility needed for career advancement or with the challenge needed to revitalize a stagnant career at the maintenance stage. A more formalized approach to job rotation is called *job pathing* or *career ladders*, which specify a sequence of jobs to reach a career objective, although the notion of a job path in the new economy is being challenged.[23] Job rotation and challenging assignments are less planned and may not be as oriented to promotion opportunities. Job rotation during the establishment and advancement stages help members develop new skills, knowledge, and competencies in new jobs. Organization members in the advancement stage may be moved into new job areas after they have demonstrated competence in a particular work specialty. Research suggests that employees who receive challenging job assignments early in their careers do better in later jobs.[24] Companies such as Corning, Hewlett-Packard, American Crystal Sugar Company, and Fidelity Investments identify "comers" (managers under 40 with potential for assuming top management positions) and "hipos" (high-potential candidates) and provide them with cross-divisional job experiences during the advancement stage. These job transfers provide managers with a broader range of skills and knowledge as well as opportunities to display their managerial talent to a wider audience of corporate executives. Such exposure helps the organization identify members who are capable of handling senior executive responsibilities; it helps the members decide whether to seek promotion to higher positions or to particular departments. Retaining "hipos" is seen as critical to success in today's highly competitive labor market.[25] To reduce the risk of transferring employees across divisions or functions, some firms create "fallback positions." These jobs are identified before the transfer, and employees are guaranteed that they can return to them without negative consequences if the transfers or promotions do not work out. Fallback positions reduce the risk that employees in the advancement stage will become trapped in a new job assignment that is neither challenging nor highly visible in the company.

In the maintenance stage, challenging assignments or job pathing can help revitalize veteran employees by providing them with new challenges and opportunities for learning and contribution. Research on enriched jobs suggests that people are most responsive to them during the first one to three years on a job, when enriched jobs

are likely to be seen as challenging and motivating.[26] People who have leveled off and remain on enriched jobs for three years or more tend to become unresponsive to them, and may no longer be motivated and satisfied by enriched jobs. One way to prevent this loss of job motivation—especially among mid-career employees who are likely to remain on jobs for longer periods of time than are people in the establishment and advancement phases—is to rotate workers to new, more challenging jobs at about three-year intervals, or to redesign their jobs at those times. Such job changes would keep employees responsive to challenging jobs and sustain motivation and satisfaction during the maintenance phase.[27]

Consultative Roles. This role involves opportunities to apply wisdom and knowledge to help others develop in their careers and solve organizational problems, and is most frequently offered to employees in the maintenance and withdrawal stages. Such roles, which can be structured around specific projects or problems, involve offering advice and expertise to those responsible for resolving the issues, thus increasing the organization's problem-solving abilities. For example, a large aluminum-forging manufacturer was having problems developing accurate estimates of the cost of producing new products. The sales and estimating departments lacked the production experience to make accurate bids for potential new business, thus either losing customers or losing money on products. The company temporarily assigned an old-line production manager who was nearing retirement to consult with the salespeople and estimators about bidding on new business. The consultant applied his years of forging experience to help the sales and estimating people make more accurate estimates. In about a year, the sales staff and estimators gained the skills and invaluable knowledge necessary to make more accurate bids. Perhaps equally important, the pre-retirement production manager felt that he had made a significant contribution to the company—something he had not experienced for years.

In contrast to coaching and mentoring, consultative roles are not necessarily focused directly on guiding or sponsoring younger employees' careers. They are directed at helping others deal with complex problems or projects. Similarly, in contrast to managerial positions, consultative roles do not include the performance evaluation and control inherent in being a manager. They are based more on wisdom and experience than on authority. Consequently, consultative roles provide an effective transition for moving pre-retirement managers into more support-staff positions. They free up managerial positions for younger employees while allowing older managers to apply their experience and skills in a more supportive and less threatening way than might be possible from a strictly managerial role.

Developmental Training. Training and development interventions are among the oldest strategies for organizational change.[28] They provide new or existing organization members with the skills and knowledge they need to perform work. The focus of training interventions has broadened from classroom methods aimed at hourly workers to varied methods, including simulations, action learning, computer-based or online training, and case studies, intended for all levels and types of organization members.

Training and development is a large practice area with growing importance in organizations. The American Society of Training and Development (ASTD) (http://www.astd.org), the largest professional organization, has over 70,000 members worldwide. According to its most recent state-of-the-industry report, U.S. companies spent about $109 billion on learning and development in 2005,[29] more than doubling the amount spent in 2000.[30] Training and development represents an important organization investment accounting for about 2% of a company's payroll.

This intervention is applicable to all career stages and helps employees gain the skills and knowledge for successfully fulfilling current job responsibilities. It may include workshops and training materials oriented to communications or supervising others as well as technical aspects of work. It can also involve substantial investments

in education, such as tuition reimbursement programs that assist members in achieving advanced degrees. Developmental training interventions generally are aimed at increasing the organization's reservoir of skills and knowledge, and can be related to increased retention and performance.[31] This enhances its capability to implement personal and organizational strategies.

Performance Management. One of the most effective interventions during the establishment and advancement phases is the integration of performance management systems with career development conversations. As suggested in the discussions of goal setting and performance appraisal interventions (Chapter 17), employees need continual feedback about goal achievement as well as the necessary support to improve their performances. Feedback and support, in the form of coaching, developmental training, or management development (described below), are particularly relevant when employees are establishing careers. They will have concerns about how to perform the work, whether they are performing up to expectations, and whether they are gaining the necessary skills for advancement. A manager can facilitate career establishment by providing feedback on performance and on-the-job training. These activities can help employees get the job done while meeting their career development needs. Companies such as Intel and Monsanto, for example, are effective at integrating performance management processes with employee career development. They separate the career development aspect of performance appraisal from the salary review component, thus ensuring that employees' career needs receive as much attention as salary issues. Feedback and support interventions can increase employee performance, satisfaction, and morale, and provide a systematic way to monitor the development of human resources in the firm, at little or no cost.[32]

Work–Life Balance Interventions. This OD intervention helps employees better integrate and balance work and home life. Restructuring, downsizing, and increased global competition have contributed to longer work hours and more stress. Generation X'ers and baby-boomers approaching the withdrawal career stage are rethinking their priorities and seeking to restore some balance in a work-dominated life. Organizations from a variety of industries—such as grocers Wegmans and Whole Foods, The Container Store in retailing, and Methodist Health Systems in health care, which topped *Fortune*'s 2007 "100 Best Companies to Work For"—are responding to these concerns so they can attract, retain, and motivate the best workforce.[33] In addition, many cities, such as Boston, San Francisco, Denver, and Birmingham, are identifying and publishing a "Best Companies" list.[34]

Early work–life balance programs started with a focus on women with young children in the workforce, but now these programs serve men and women, all ages, and all family and life situations. Work–life programs continue to not only focus on dependent care of both children and elders, but also focus on job scheduling and flexibility, paid and unpaid leaves, employee wellness, concierge services, and others. Work–life balance planning helps members better manage the interface between work or paid employment and all the work and responsibilities associated with a person's life.

Although these interventions can apply to all career stages, they are especially relevant during advancement. This is because of the increased number of dual-career households. Transfer to another location—a common occurrence during the advancement stage—usually means that the working partner must also relocate. In many cases, the company employing the partner must either lose the employee or arrange a transfer to the same location. Dual careers also affect expatriate assignments, and being able to facilitate or accommodate a spouse or partner's wish to work may make the difference in terms of an employee accepting such an assignment. Similar problems can occur in recruiting employees. A recruit may not join an organization if its location does not provide career opportunities for the partner.

Phased Retirement. This provides older employees with an effective way of withdrawing from the organization and establishing a productive leisure life, by gradually reducing work hours and moving to full retirement.[35] A recent study of women over 35 indicates a strong interest for phased retirement plans, which may put new demands on related human resource management programs.[36] Employees gradually devote less of their time to the organization and more time to leisure pursuits (which to some might include developing a new career). For example, people may use the extra time off work to take courses, to gain new skills and knowledge, and to create opportunities for productive leisure. IBM, for example, once offered tuition rebates for courses on any topic taken within three years of retirement.[37] Many IBM pre-retirees used this program to prepare for second careers.

Equally important, phased retirement lessens the reality shock often experienced by those who retire all at once. It helps employees grow accustomed to leisure life and withdraw emotionally from the organization. A growing number of companies have some form of phased retirement. Pepperdine University and the University of Southern California, for example, implemented a phased retirement program for professors that allows them some choice about part-time employment starting at age 55. The program is intended to provide more promotional positions for younger academics and to give older professors greater opportunities to establish a leisure life and still enjoy many benefits of the university.

Application 18.1 describes how the HR organization within PepsiCo evolved its career planning and development processes.[38]

The Results of Career Planning and Development

As shown in this section, career planning and development is a broad field within organization development. A variety of studies have examined individual aspects of career development. For example,

- Realistic job previews have been associated with reduced turnover and training costs, and increased organization commitment and job satisfaction[39]
- Assessment centers have been associated with career advancement when the participant works on the recommended areas of improvement[40]
- Challenging assignments and job rotations have helped "plateaued employees" (those with little chance of further advancement) increase their work satisfaction and productivity if the organization supports lateral (as opposed to strictly vertical) job changes[41]
- General training programs in organizations have produced documented returns on investment from 16% to 492%[42]
- Work–life balance interventions have led to beneficial outcomes for both employees and organizations, including increased creativity, morale, and effectiveness, and decreased absenteeism and turnover.[43]

This variety of career planning and development interventions also makes program evaluation very difficult, although the overall assessment of its impact on retention and motivation remains positive.

MANAGEMENT AND LEADERSHIP DEVELOPMENT INTERVENTIONS

Management and leadership development programs are one of the most popular OD interventions aimed at developing talent and increasing employee retention. These programs build an individual's skills, socialize leaders in corporate values, and prepare

application 18.1

PepsiCo's Career Planning and Development Framework

PepsiCo has a long and well-deserved history of innovative employee and leadership development practices. However, in the late 1990s, a significant number of strategic and organizational changes, including the spin-off of Tricon and the Pepsi Bottling Group and the acquisition of Tropicana and Quaker, had left employees feeling unsure about the requirements for success in the organization. In particular, employees wanted to know more about how to build a successful career within the new organization. Moreover, and because of Pepsi's traditionally entrepreneurial and autonomous culture, each business unit had set up its own way of developing employees. In this new organization, employees wanted more information about how to take advantage of cross-business unit and cross-functional opportunities.

In response, senior management tasked the internal OD group to partner with the HR organization and line managers to develop tools and processes to address these concerns. Their initial efforts resulted in:

- The *PepsiCo Leadership Model* that outlined leadership competencies and provided a framework for the 360-degree feedback process
- A career development Web-resource called *MyDevelopNet* that provided assessment tools and development resources
- A cross-business unit job posting process called *MyCareerConnection* that listed open jobs in other functions and business units.

Although these tools and processes became an important part of PepsiCo's career planning and development process, people continued to want more detail and support regarding what it took to build a successful career in a given function.

The interest in functional careers was somewhat at odds with Pepsi's strong division-focused culture. To shift from a business unit–focused approach to a broader and standardized enterprise view, the organization needed to explore the importance of consistency in language and processes across specialties but within functions. The HR function was selected to pilot the approach—to set the agenda, lead the initiative, and resolve any problems inherent in the design and implementation process. The task force, representing the ten specialties within global HR (e.g., compensation, benefits, diversity, staffing, OD), was established in 2003 to develop a fully integrated career solution within the HR function. It was chartered with the following objectives:

1. Provide employees access to *career information* that will allow greater ownership of their development and enhanced development planning discussions with their managers
2. Provide consistent language around *competencies, leadership skills*, and *the critical experiences* required for career progression in the HR function at PepsiCo
3. Provide greater clarity regarding *different opportunities* and choices rather than prescribed paths.

If properly designed and implemented, the intervention would result in a stronger and more capable HR function—one that speaks a consistent language across very different types of specialties, and has a greater emphasis on individual development and career growth. In addition, it would pave the way for similar efforts in other major functions such as sales, marketing, finance, operations, and R&D. Based on this diagnosis, the HR Careers Task Force adopted a five step, OD-related process that emphasized input from key stakeholders across the function as well as early involvement and participation in the process.

The first step was to develop an appropriate competency model for the HR function. The task force collected lists of HR competencies from internal and external sources, including business-unit models, professional associations, and the literature. Importantly, although several business units had their own competency list, a successful intervention required a list that worked well with all employees in HR. The resulting model consisted of 12 competencies that were measured by 50 specific areas of applied knowledge and practice.

The second step was to identify the jobs that would be part of the solution. The task force believed that it was unrealistic to analyze and include every job in a function. Rather, the team identified key positions with multiple incumbents within each of the ten HR specialties. These jobs

represented consistent, sustainable, long-term roles to which employees could aspire as part of their career planning. The final list of key jobs comprised the target for their work.

The third step was to validate and calibrate the competencies for each of these key jobs. To do that, the task force created a "job modeling" survey that sampled the incumbents in the key jobs across the entire HR function. The first 50 questions represented the key HR competencies identified in Step 1, and asked participants to rate the proficiency level required to do the job well. The next set of questions were drawn from the *PepsiCo Leadership Model* to understand the leadership emphasis required in the job, and the final section asked about the experiences the incumbents were gaining from the role. For example, did the job provide the opportunity to partner with other divisions, manage a merger or acquisition process, or apply organization design skills?

The fourth step required the task force to build the key job database so that it could be used by managers and employees. That is, whenever a manager, HR professional, or executive coach sat down with an employee to have a career conversation, the database needed to be able to address at least three questions:

1. Where are the jobs (level, location, specialty area)?
2. What are the different accountabilities, experiences, and competencies required for the job?
3. How do I get to the next job from where I am?

The database was designed to provide information on each of these questions and to facilitate rich career discussions. Data elements in the profiles included overall position description, key accountabilities, requisite functional and leadership competencies, experiences gained, typical next jobs within and across levels and functions, required education and experience, and interactions with other roles.

To facilitate the database's use, additional supporting tools were developed, including the following:

- An interactive online tool that allowed employees to view all of the key jobs in the function and their own division with typical next steps identified for each position
- The ability to initiate self-assessments against functional or leadership competencies and compare those with either the current job or any other job in the database
- The ability to request a manager's assessment of an employee against the same competencies for comparison and discussion
- A HR Resource Guide containing development tips, tactics, and resources to help employees build their functional competencies
- A behavioral interviewing guide to assist in job interviews and placements
- New training resources and modules to support deeper knowledge acquisition in key areas of need.

The database and tools were shared with managers, functional VPs, and senior leaders to ensure that the jobs were properly calibrated against others both within and across HR divisions. This data feedback stage was time-consuming but ensured the product was of high quality and high validity, created additional buy-in on the part of leaders to actually use the tools, and allowed leaders to reevaluate the nature and accountabilities of the jobs in question.

The final step of the process involved implementing the system and evaluating its acceptance and use for areas in need of adjustment. Each HR specialty created their own integrated rollout strategy based on current initiatives and available resources. Certain key messages and tools supporting the framework and their relationship to existing HR processes were standardized to ensure a common language and approach to career development.

executives for strategic leadership roles.[44] A large number of organizations offer leadership development programs, including Procter & Gamble, Federal Express, PepsiCo, Cisco Systems, IBM, Microsoft, and Hewlett-Packard.

Management and leadership development interventions can be differentiated from career development. In management and leadership development, the focus is on developing the skills and knowledge the organization believes will be necessary to implement future strategies and manage the business. In career development, the focus is on building the skills and knowledge the individual believes will best equip them for the career they prefer. Ideally, there is considerable overlap between the two.

A recent survey of over 600 executives by the Center for Effective Organizations and Heidrick and Struggles strongly agreed that preparing leaders was an important top-management team function, but was "uncertain" about the extent to which their top-management team performed this function well—the lowest score among the ten functions listed. This section describes the purpose and goals of leadership development interventions, the application steps and conditions for transfer, and the research support for this intervention.

What Are the Goals?

The term *training* is typically used when the goal is development of the workforce, while the terms *management development* and *leadership development* are normally applied when the goal is development of the organization's management and executive talent. There is a wide range of training and development interventions, and not all involve OD. For leadership development to be considered an OD intervention, it must focus on changing the skills and knowledge of a group of organization members to improve their effectiveness or to build the capabilities of an organization system.[45] For example, a leadership development program that provides information about the organization's strategy would not qualify as an OD intervention.

Application Stages

Management and leadership development interventions generally follow a process of needs assessment, setting instructional objectives and design, delivery, and evaluation.[46]

1. **Perform a needs assessment.** Similar to the diagnostic process in the general model of planned change, a needs assessment typically determines the competencies believed to characterize effective leaders in the organization. This can be done by interviewing well-respected executives or reviewing lists of published leadership competencies. The logic assumes that if the right leadership skills and knowledge can be identified, a program can be developed to educate and equip participants with these competencies. McCall has challenged this approach and suggested that good leaders develop competencies from experience, not training. As a result, a needs assessment must gather data on the strategy, the organization, and the individuals who might attend the leadership program.[47]

   The *strategy assessment* involves understanding the knowledge and experiences future leaders will need to execute the business strategy. It includes tasks, activities, and decisions that participants should perform better after training as well as the conceptual frameworks that guide these activities. This can be done by identifying the top three to five external and internal leadership challenges facing the business[48] and the experiences that might help build the competence to deal with them. For example, the Hartford Financial Services Group believes that its long history of success has created an internal culture that favors stability over change. In the face of increasing competition and more demanding customers, its leadership

development program included the analysis of a business situation and activities intended to create change readiness in a relevant portion of the organization.

The *organization assessment* focuses on the systems that may affect the ability to transfer learning and developmental experiences back to the organization. For transfer to occur, participants must be provided with the opportunity and appropriate conditions to apply their new skills, knowledge, and abilities to the work situation. The organization assessment determines whether the necessary support exists in the organization to make leadership development worthwhile. For example, if executives are generally unwilling to send their managers to the program for fear of losing them to promotion, then the organization assessment would suggest addressing management's readiness for change before implementing the program.

The final element, *individual assessment*, aims to understand the existing pool of people who should be candidates for the program. Such an assessment would include their current level and ranges of skills, knowledge, and abilities. Recently, leadership development programs have begun to focus on the personal growth of the participants, and so an important part of the assessment would be to understand individuals' attitudes toward personal reflection and its role in leadership effectiveness.

2. **Develop the objectives and design of the training.** This step first establishes outcome objectives for development intervention. These objectives should describe both the results expected from a competent leader and how those results were achieved. For a leadership development program, an appropriate objective might be "the ability to produce an acceptable strategic plan for a strategic business unit" or "to increase participants' commitment to the strategic direction of the corporation."

   The design of the training involves making choices from among a wide variety of techniques. The more traditional methods of classroom lectures, 360-degree feedback, simulations, case studies, or experiential exercises have been augmented by more recent emphases on rotational assignments, on-the-job training, coaching, or action-learning projects.
3. **Deliver the training.** This stage implements the development program. Participants apply, or are invited, to attend the program, complete the activities included in its design, and return to their normal work routines.
4. **Evaluate the training.** This final step assesses the training to determine whether it met its objectives. The four criteria most commonly used to evaluate training effectiveness are reaction, learning, behavior, and results.[49] *Reaction* is the most commonly used evaluation criterion and refers simply to the participants' initial judgment about the training's usefulness. It is often assessed via questionnaires completed immediately following the training activity. The *learning* criterion refers to whether or not participants acquired the knowledge that should have been transferred during the training; it stops short of assessing performance or behavior on the job. This can be assessed via interview or questionnaire. The *behavior* criterion assesses whether new skills and abilities gained in the training are actually applied to job activities. These data can be collected through observation or through interviews with the participant's manager. The final criterion, *results*, determines whether or not the training can be credited with improvements in the participant's or the system's effectiveness.

Application 18.2 describes a management development program at Microsoft Corporation. The company was interested in building the strategic competence of its middle managers and making the organization more capable.

application 18.2

Leading Your Business at Microsoft Corporation

Microsoft is the largest software development organization and one of the most successful businesses in the world. In its relatively short history, growth has characterized almost every aspect of the company. Growth not only fueled Microsoft's reputation and no small number of millionaires, but also demanded that the Microsoft organization mature. As technologies, products, markets, and revenues grew, so did the opportunities for professional advancement. Software development engineers that wanted to guide, shape, and manage the organization's growth found plenty of chances to become managers, directors, and vice presidents.

After years of double-digit growth, senior management at Microsoft worried that promotion of the young and brilliant technologists it had recruited was occurring too fast. While they understood technology, they were ill prepared to manage strategy, structure, people, and change. Interviews with successful and unsuccessful Microsoft managers about the competencies necessary to lead a business confirmed these suspicions. CEO Steve Ballmer believed that the speed of change in the software industry demanded leadership from the middle of the organization where people were closest to the technology and customers. He commissioned Microsoft's Management Development Group (MDG) to create a series of workshops aimed at developing the future leaders of the organization. Three courses were envisioned for the series, including one focused on strategic thinking and strategic change.

The MDG group contacted an OD practitioner with a background in educational interventions, strategy, and large-scale systems change. Together with the internal OD practitioners and other members of the MDG organization, the OD practitioner interviewed additional managers, discussed program philosophy and company culture, shared strategy and strategic change concepts, and proposed a variety of methods to transfer the topics of strategic leadership to the participants.

After several weeks of discussions, a two-day workshop design began to emerge. It consisted of a variety of learning technologies and was based on a principle and philosophy of self-managed learning. That is, the OD practitioner and the MDG consultants assumed that the participants, already having achieved a middle-management position, would possess a broad range of experiences and knowledge. The purpose of the workshop would be to marry that experience with the concepts from strategy and change. A number of delivery methods, including lectures, videos, experiential exercises, and case studies, were used to expose the participants to certain topics, such as goals and goal setting, distinctive competencies, environmental scanning, strategy, and strategy implementation. At the beginning of the workshop, the participants would be allowed to form "peer consulting teams" and, following an input module, the teams would work individually and then in groups to apply the concepts to their own business. In this way, the participants actually left the workshop with a roughed-out strategic plan.

The design was "beta tested" with a group of about 20 middle managers, and their comments, reactions, and suggestions were used to make adjustments to different parts of the workshop design. For example, the peer consulting groups turned out to be a very powerful idea and all of the groups wanted more time at the beginning of the workshop to explain their business so that the other members of the group had a good understanding of the competitive issues. After the beta workshop, the program was marketed to all middle managers at the Redmond, Washington, headquarters. Eventually, middle managers in Asia, Canada, and Europe were included. Over two years, about 500 of Microsoft's most important future leaders went through the workshop.

Ten days after the workshop, an evaluation was emailed to all participants for the reactions and feedback. This provided an ongoing database to ensure that the program continued to meet the needs of the middle managers. In addition, a qualitative study of the workshop's impact was conducted about a year into the program. A variety of information about how participants had used the workshop was gathered. Most participants rated the course highly, found the materials relevant and

useful, had applied many of the frameworks and models in their day-to-day work, and appreciated the opportunity to stop and think about their business. The most highly rated feature of the class was the peer-to-peer learning and the business view the participants gained, and there were few examples of direct impact on the organization. However, only a few cases of dramatic success were found, including a substantial increase in strategic focus, clarity, and profitability within one of the Microsoft Office groups; a merger between two groups that was conceived during the workshop and then executed successfully after the program; and the launching of a new strategy within groups of the MSN and Xbox organizations. In each of these cases, the managers reported implementing the ideas and plans worked out in the workshop and involving their direct reports in additional discussions. These additional inputs along with the original plans became the basis for implementing changes.

The Results of Development Interventions

Despite the prevalence of management and leadership development interventions in the workplace and the hundreds of self-reported case studies in industry magazines, most of the evaluation research consists of only reactions, the weakest measure of effectiveness.[50] A few more rigorous assessments, however, provide some evidence about leadership development effects. For example, a leadership development program at Catholic Healthcare Partners that involved 360-degree feedback and action-learning projects indicated both organizational and individual improvements. The greatest individual improvements occurred in self-awareness, setting and achieving goals, and working across boundaries. The greatest organization benefits were an increased focus on strategy and goals setting, more effective teams, and members feeling more empowered in their work.[51] Leadership development programs have reported increased organizational productivity and decreased turnover and increased sales.[52]

In a book-length evaluation of a leadership development program for school superintendents in the state of Florida, the most common outcomes of the program included the development of strategies and competencies for continuous learning, personal change in specific areas, and progress on learning projects undertaken by groups of participants. However, the researchers note that less than 50% of the participants reported such outcomes and that most participants reported no or very little change on a survey instrument. Relevant to the reported outcomes, the researchers found that no particular element of the program was more or less effective. Finally, the researchers speculated that much of the variation in results was due to the participants themselves. Those superintendents who were in "fine tuning" mode had little to learn while those in a "role expansion" or "new perspectives" mode reported more positive outcomes.[53]

SUMMARY

This chapter presented three major human resources interventions: coaching and mentoring interventions, career planning and development interventions, and leadership and management development interventions. Although these kinds of change programs

generally are carried out by human resources specialists, OD practitioners are gaining competence in these areas and are increasingly involved in these interventions.

Coaching interventions are aimed at helping individuals. Although it can be an integral part of other OD interventions, it is aimed at helping individuals clarify their goals, deal with potential stumbling blocks, learn to lead change, and improve their performance.

Career planning and development and management and leadership development interventions are intended to improve the organization's ability to develop and retain a valuable workforce. Career planning involves helping people choose jobs, occupations, and organizations at different stages of their careers. It is a highly personalized process that includes assessing one's interests, values, and capabilities; examining alternative careers; and making relevant decisions. Career development helps employees achieve career objectives. Effective efforts in that direction include linking corporate business objectives, human resources needs, and the personal needs of employees. Different career development needs and practices exist and are relevant to each of the four stages of people's careers.

Management and leadership development programs build leadership skills, often in alignment with a predetermined set of competencies, socialize managers and leadership in a set of values believed to be important to the success of the organization, and help execute strategic change agendas. Leadership development is one of the most popular OD interventions today.

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19

Managing Workforce Diversity and Wellness

This chapter presents two additional human resources management interventions in organizations. Increasing workforce diversity pro-vides an especially challenging environment for human resources management, and an attractive opportunity for line managers looking for a source of innovation. The mix of age, gender, race, sexual orientation, disabilities, and culture and value orientations in the modern workforce is increasingly varied. Management's perspectives, strategic responses, and implementation approaches can help address pressures posed by this diversity and leverage this resource for organization effectiveness. In addition, wellness interventions, such as stress management programs and employee assistance programs (EAPs), are addressing several important social trends, such as the relationship and interaction between professional and personal roles and lives, fitness and health consciousness, and drug and alcohol abuse.

WORKFORCE DIVERSITY INTERVENTIONS

Several profound trends are shaping the labor markets of modern organizations. Researchers suggest and managers confirm that contemporary workforce characteristics are radically different from what they were just 20 years ago. Employees represent every ethnic background and color; range from highly educated to illiterate; vary in age from 18 to 80; may appear perfectly healthy or may have a terminal illness; may be single parents or part of dual-income, divorced, same-sex, or traditional families; and may be physically or mentally challenged.

Workforce diversity is more than a euphemism for cultural or racial differences. Such a definition is too narrow and focuses attention away from the broad range of issues that a diverse workforce poses. Diversity results from people who bring different resources and perspectives to the workplace and who have distinctive needs, preferences, expectations, and lifestyles.[1] Organizations must design human resources systems that account for these differences if they are to attract and retain a productive workforce and if they want to turn diversity into a competitive advantage.

What Are the Goals?

Figure 19.1 presents a general framework for managing diversity in organizations.[2] First, the model suggests that an organization's diversity approach is a function of *internal and external pressures* for and against diversity. Social norms and globalization support the belief that organization performance is enhanced when the workforce's diversity is embraced as an opportunity. But diversity is often discouraged by those who fear that too many perspectives, beliefs, values, and attitudes dilute concerted action. Second, management's *perspective and priorities* with respect to diversity can range from resistance to active learning and from marginal to strategic. For example, organizations

can resist diversity by implementing only legally mandated policies such as affirmative action, equal employment opportunity, or Americans with Disabilities Act requirements. On the other hand, a learning and strategic perspective can lead management to view diversity as a source of competitive advantage. For example, a health care organization with a diverse customer base can can not only improve perceptions of service quality by having a more diverse physician base, it can embrace diversity by tailoring the range of services to that market and building systems and processes that are flexible. Third, within management's priorities, the organization's *strategic responses* can range from reactive to proactive. Diversity efforts at Texaco and Denny's had little momentum until a series of embarrassing race-based events forced a response. Fourth, the organization's *implementation style* can range from episodic to systemic. A diversity approach will be most effective when the strategic responses and implementation style fit with management's intent and internal and external pressures.

Unfortunately, organizations have tended to address workforce diversity pressures in a piecemeal fashion; only five percent of more than 1,400 companies surveyed in the mid-1990s thought they were doing a "very good job" of managing diversity.[3] As each trend makes itself felt, the organization reacts with appropriate but narrow responses. For example, as the percentage of women in the workforce increased, many organizations simply added maternity leaves to their benefits packages; as the number of physically challenged workers increased and when Congress passed the Americans with Disabilities Act in 1990, organizations changed their physical settings to accommodate wheelchairs. Demographers warn, however, that these trends are not only powerful by themselves but will likely interact with each other to force organizational change. Thus, a growing number of organizations, such as Bank of America, PepsiCo, Procter & Gamble, and Yahoo, are taking bolder steps. They are not only adopting learning

perspectives with respect to diversity, but systemically weaving diversity-friendly values and practices into the cultural fabric of the organization.

Application Stages

Many of the OD interventions described in this book can be applied to the strategic responses and implementation of workforce diversity, as shown in Table 19.1. It summarizes several of the internal and external pressures facing organizations, including age, gender, race, disability, culture and values, and sexual orientation.[4] For example, the median age of the workforce is increasing, women make up a larger percentage of the workforce, and globalization is increasing the number of different cultural values present in the workplace. The table also reports the major trends characterizing those dimensions, organizational implications and workforce needs, and specific OD interventions that can address those implications.

Age To address age diversity, organization development interventions, such as work design, wellness programs (discussed below), career planning and development, and reward systems must be adapted to these different age groups and demographic cohorts.[5] For the older employee, work designs can reduce the physical components or increase the knowledge and experience components of a job. At Builder's Emporium,

[Table 19.1]

Work Diversity Dimensions and Interventions

WORKFORCE DIFFERENCES	TRENDS	IMPLICATIONS AND NEEDS	INTERVENTIONS
Age	Median age up Distribution of ages changing	Health care Mobility Security	Wellness program Job design Career planning and development Reward system
Gender	Percentage of women increasing Dual-income families	Child care Maternity/paternity leave Single parents	Job design Fringe benefit rewards
Disability	The number of people with disabilities entering the workforce is increasing	Job challenge Job skills Physical space Respect and dignity	Performance management Job design Career planning and development
Culture and values	Rising proportion of immigrant and minority-group workers Shift in rewards	Flexible organizational policies Autonomy Affirmation Respect	Career planning and development Employee involvement Reward systems
Sexual orientation	Number of single-sex households up More liberal attitudes toward sexual orientation	Discrimination	Equal employment opportunities Fringe benefits Education and training

a chain of home improvement centers, the store clerk job was redesigned to eliminate heavy lifting by assigning night crews to replenish shelves and emphasizing sales ability instead of strength. Generation-X workers will likely require more challenge and autonomy. Wellness programs can be used to address the physical and mental health of both generations. Career planning and development programs will have to recognize the different career stages of each cohort and offer resources tailored to that stage. Finally, reward system interventions may offer increased health benefits, time off, and other perks for the older workforce while using promotion, ownership, and pay to attract and motivate the scarcer, younger workforce.

Gender Work design, reward systems, and career development are among the more important interventions for addressing issues arising out of the gender trend. For example, jobs can be modified to accommodate the special demands of working mothers. A number of organizations, such as AstraZeneca, Volkswagen of America, and Hewlett-Packard, have instituted job sharing, by which two people perform the tasks associated with one job. The firms have done this to allow their female employees to pursue both family and work careers. Reward system interventions, especially fringe benefits, can be tailored to offer special leaves to mothers and fathers, child-care options, flexible working hours, and health and wellness benefits. The Container Store offers a family-friendly shift from 9 a.m. to 2 p.m. so that working mothers can easily drop off and pick up kids from school. Career development interventions help maintain, develop, and retain a competent and diverse workforce. Recent research on career development programs suggests that organizations consider the assumptions embedded in their career development programs to ensure programs are not biased toward masculine experiences and worldviews, especially those related to careers.[6]

Unfortunately, many programs over the last several years have tended to focus more on the symptoms, as opposed to sources of gender inequity.[7] Recent research suggests that once an organization recognizes the problem, diagnosis through interviews with employees is critical to addressing the sources of gender inequity. The research further suggests that using a strategy of small interventions, "small wins," or small initiatives that combine behavior and understanding and that target the organization's specific issues are more effective. For example, one European retail company discovered upon interviewing its employees that a key issue in turnover among female employees was the company's lack of discipline regarding time. Last-minute scheduling, meeting overruns, and tardiness wreaked havoc on female employees trying to manage work and home responsibilities. Company leadership began a more disciplined approach to time, resulting in greater efficiency and effectiveness. Resolving such issues requires careful and organization-specific diagnosis and intervention.

Race/Ethnicity Race continues to be an important issue in diversity interventions, especially as organizations work to increase diversity among top leadership and board members. Training can increase the likelihood that effective diversity management programs rely on data (not impressions or perceptions) and are responsive, move beyond eliminating obvious racism to eradicating more subtle forms as well, eliminate vague selection and promotion criteria which can let discrimination persist, link diversity management to individual performance appraisals, and develop and enforce appropriate rules.[8] For example, 20% of Verizon's board of directors and 20% of its total management team are African American; Wyndham Hotels established a diversity officer position that reports to the CEO, and General Mills and Citicorp work with nonprofit firm Minority Leadership Talent to identify, recruit, and retain black and Hispanic candidates. Mentoring programs can ensure that minorities in the advancement stage get the appropriate coaching and that successful minority managers and executives get the chance to share their wisdom and experience with others.

Sexual Orientation Diversity in sexual and affectional orientation, including gay, lesbian, and bisexual individuals and couples, increasingly is affecting the way that organizations think about human resources. The primary organizational implication of sexual orientation diversity is discrimination. Gay men and lesbians often are reticent to discuss how organizational policies can be less discriminatory because they fear their openness will lead to unfair treatment. People can have strong emotional reactions to sexual orientation. When these feelings interact with the gender, culture, and value trends described in this section, the likelihood of both overt and unconscious discrimination is high, especially around the often-misperceived relationship between sexual orientation and AIDS/HIV.

Interventions aimed at this dimension of workforce diversity are relatively new in OD and are being developed as organizations encounter sexual orientation issues in the workplace. The most frequent response is education and training. This intervention increases members' awareness of the facts and decreases the likelihood of overt discrimination. While sexual orientation is not protected under federal equal employment opportunity (EEO) laws, many cities and states have passed legislation protecting sexual orientation. Human resources practices having to do with EEO and fringe benefits also can help to address sexual orientation parity issues. Most organizations have modified their EEO statements to address sexual orientation, including 61% of Fortune 500 companies.[9] Firms such as Ben & Jerry's, Boeing, Northop Grumman, Hilton, and Google have communicated strongly to members and outsiders that decisions with respect to hiring, promotion, transfer, and so on cannot (and will not) be made with respect to a person's sexual orientation. Similarly, organizations are increasingly offering domestic-partner benefit plans, and now over 5,000 employers offer domestic-partner benefits.[10] Companies such as Motorola, Shell Oil, Microsoft, and Apple as well as governments and universities have extended health care and other benefits to the same-sex partners of their members.

Disability The organizational implications of the disability trend represent both opportunity and adjustment. The productivity of physically and mentally disabled workers often surprises managers. Training is required to increase managers' awareness of this opportunity and to create a climate where accommodation requests can be made without fear.[11] Employing disabled workers, however, also means a need for more comprehensive health care, new physical workplace layouts, new attitudes toward working with the disabled, and challenging jobs that use a variety of skills.

OD interventions, including work design, career planning and development, and performance management, can be used to integrate the disabled into the workforce. For example, traditional approaches to job design can simplify work to permit physically handicapped workers to complete an assembly task. Career planning and development programs need to focus on making disabled workers aware of career opportunities. Too often these employees do not know that advancement is possible, and they are left feeling frustrated. Career paths need to be developed for these workers.

Performance management interventions, including goal setting, monitoring, and coaching performance, aligned with the workforce's characteristics are important. At Blue Cross and Blue Shield of Florida, for example, a supervisor learned sign language to communicate with a deaf employee whose productivity was low but whose quality of work was high. Two other deaf employees were transferred to that supervisor's department, and over a two-year period, the performance of the deaf workers improved 1,000% with no loss in quality.

Culture and Values Cultural diversity has broad organizational implications. Different cultures represent a variety of values, work ethics, and norms of correct behavior. Not all cultures want the same things from work, and simple, piecemeal changes in

specific organizational practices will be inadequate if the workforce is culturally diverse. Management practices will have to be aligned with cultural values and support both career and family orientations. English is a second language for many people. This implies that jobs of all types (processing, customer contact, production, and so on) may need to be adjusted for English-speaking customers, but it also represents opportunity. If there are large non-English-speaking markets, the organization has an important resource for reaching those markets. Finally, the organization will be expected to satisfy both extrinsic and monetary needs, as well as intrinsic and personal growth needs.

Several planned change interventions, including employee involvement, reward systems, and career planning and development, can be used to adapt to cultural diversity. Employee involvement practices can be adapted to the needs for participation in decision making. People from certain cultures, such as Scandinavia, are more likely to expect and respond to high-involvement policies; other cultures, such as Latin America, view participation with reservation. (See the discussion of cultural values in Chapter 23.) Participation in an organization can take many forms, from suggestion systems and attitude surveys to high-involvement work designs and performance management systems. Organizations can maximize worker productivity by basing the amount of power and information workers have on cultural and value orientations.

Reward systems can focus on increasing flexibility. For example, flexible working hours enable employees to meet personal obligations without sacrificing organizational objectives. Many organizations have implemented this innovation, and most report that the positive benefits outweigh the costs. Work locations also can be varied. Many organizations, including Capital One, Hewlett-Packard, and Sun Microsystems, allow workers to spend part of their time telecommuting from home. Other flexible benefits, such as floating holidays, allow people from different cultures to match important religious and family occasions with work schedules.

Child-care and dependent-care assistance also support different lifestyles. For example, at Stride Rite Corporation, the Stride Rite Intergenerational Day Care Center houses 55 children between the ages of 15 months and six years as well as 24 elders over 60 years old. The center was established after an organizational survey determined that 25% of employees provided some sort of elder care and that an additional 13% anticipated doing so within five years.

Finally, career planning and development programs can help workers identify advancement opportunities that are in line with their cultural values. Some cultures value technical skills over hierarchical advancement; others see promotion as a prime indicator of self-worth and accomplishment. By matching programs with people, job satisfaction, productivity, and employee retention can be improved.

The Results for Diversity Interventions

Workforce diversity interventions are growing rapidly in OD. Despite this growth, most evaluation efforts are survey oriented and somewhat cursory. A national survey in the late 1990s found that 75% of firms either have or plan to begin diversity efforts.[12] Research suggests that diversity interventions are especially prevalent in large organizations with diversity-friendly senior management and human resources policies,[13] and an internal evaluation of a diversity training program in a large manufacturing firm showed positive attitudinal changes over a three month period with respect to emotional reactions, making judgments, behavioral reactions, and organizational impacts.[14] Although existing evidence shows that diversity interventions are growing in popularity, there is still ambiguity about the depth of organizational commitment to such practices and the contingencies that moderate the relationship between commitment and performance.[15]

Recently, however, a more complete evaluation of diversity management programs revealed positive results.[16] Using data collected by the Equal Employment

Opportunity Commission (EEOC) and survey data from organizations, researchers divided diversity programs into three categories: structures of responsibility, such as affirmative action plans, diversity commitees and task forces, and diversity managers; educational programs, such as diversity training and diversity feedback for managers; and networking and mentoring programs. The data displayed a clear pattern. Structural programs were associated with significant increases in overall managerial diversity. Education and feedback programs were not followed by increases in managerial diversity. Finally, programs that attempted to increase the networking among different groups were associated with modest increases in management diversity. Importantly, the presence of structural interventions improved the effect of the other two interventions. In efforts to reduce inequality in the workplace, the researchers suggest that the popularity of individually based diversity interventions should be reviewed carefully. A great deal more research like this is needed to understand these newer interventions and their outcomes.

Application 19.1 describes a workforce diversity intervention at Baxter Export, showing how diversity can exist in many areas and how organizations can employ a range of interventions to make the workplace more flexible.[17]

EMPLOYEE STRESS AND WELLNESS INTERVENTIONS

In the past two decades, organizations have become increasingly aware of the relationship between employee wellness and productivity.[18] The American Stress Institute (www.stress.org) estimates that job stress costs U.S. business over $300 billion annually due to increased absenteeism, employee turnover, diminished productivity, medical, legal and insurance expenses, and workers' compensation payments. Stress management and wellness interventions, including EAPs, have grown because organizations are interested in retaining a skilled workforce and concerned for the welfare of their employees. Companies such as Johnson & Johnson, Weyerhaeuser, Federal Express, Quaker Oats, and Abbott Laboratories are sponsoring a wide range of fitness, wellness, and stress management programs.

What Are the Goals?

Individual well-being or wellness comprises "the various life/non-work satisfactions enjoyed by individuals, work/job-related satisfactions, and general health."[19] Health is a subcomponent of well-being and includes both mental/psychological and physical/physiological factors. In addition, a person's work setting, personality traits, and stress-coping skills affect overall well-being. In turn, well-being impacts personal and organizational outcomes, including absenteeism, productivity, and health insurance costs.[20]

Concern has been growing in organizations about managing the dysfunction caused by stress. A study by O'Toole and Lawler concluded that the price most workers and managers have paid to get more interesting and enriched jobs is an increased amount of stress.[21] Stress has been linked to hypertension, heart attacks, diabetes, asthma, chronic pain, allergies, headache, backache, various skin disorders, cancer, immune system weakness, and a decrease in the number of white blood cells and changes in their function. It can also lead to alcoholism and drug abuse, two problems that are reaching epidemic proportions in organizations and society. For organizations, these personal effects can result in costly health benefits, absenteeism, turnover, and low performance. One study reported that one in three workers said they have thought about quitting because of stress; one in two workers said job stress reduced their productivity; and one in five workers said they took sick leave in the month preceding the survey because of stress.[22] Another study estimates that each employee who suffers from a stress-related illness loses an average of 16 workdays per year.[23]

application 19.1

Embracing Employee Diversity at Baxter Export

Baxter Export Corporation is an 85-person unit responsible for international logistics at Baxter Healthcare, a $5.4 billion maker of health care products. Their diversity practices are the first steps in response to an 18-month study by Baxter International. A survey of 1,000 employees found that among salaried employees, most work–life tensions were driven by the need for greater balance and the desire for flexibility.

Work–life tensions are prevalent at Baxter Export. The pressures of a globally competitive business require analysts, who make around $40,000 annually, to manage the flow of catheters, dialysis solutions, intravenous tubes, and other products to subsidiaries and customers around the world. As a result, many two-income families have been forced into intensive arrangements.

One analyst's day ends with e-mails and voicemails from Saudi Arabia, Oman, and Panama; a conference call that runs over the allotted time; and the anxiety from expectations that dinner should be ready by 5:30 p.m. An on-time dinner is important because her husband, who has picked up their three-year-old from day care and their seven-year-old from grade school, has to leave for one of his two night jobs. The week will also include a Cub Scout meeting, grocery shopping, other kids' activities, and errands. "We're kind of used to it . . . it's our life," the analyst says.

Another employee's day begins at 6:30 a.m. because it's easier to communicate with customers in South Africa and New Zealand, and she can pick up her daughter from day care by 4 p.m. Getting home sooner is also important because of the full-time care required by her mother-in-law, who was recently diagnosed with cancer. "I was working overtime, often until 7 p.m.," she explains. "I'd get home in time to give my daughter her bottle, then put her to sleep. I said, 'this is ridiculous.'" The flexible work hours and at least one day a week spent telecommuting ease the burden.

At Baxter Export, 30% of its employees use telecommuting, job-sharing, or working part-time to build flexibility into their schedules. John Linder, the manager who oversees the analysts, is convinced that acknowledging and easing tensions in the workplace is good business. Although he doesn't work at home himself, he believes that his people are 10% more productive on the days they telecommute. Baxter's willingness to accommodate problems, he adds, also pays off in higher commitment. Still, telecommuters are held to rules that limit disruption. They can't work more than two days a week out of the office. Any more than that and it begins to affect the cohesiveness of the group. In addition, everyone has to be in on Wednesdays for meetings, and they must pay for call-waiting on their home phones (Latin American customers, especially, don't like voicemail).

With all their flexibility, however, Baxter Export employees still struggle to find balance. Most spend 45–50 hours a week on the job. There is a solution, but it is no easy fix: The division is entering a thorough restructuring that is altering not just its own jobs and processes but also those throughout the corporation.

Griff Lewis, the executive vice president who oversees Baxter Export, notes that the unit's volume is growing at 12–15% per year, and he does not have the budget to add corresponding staff. Just to keep people's hours reasonable, never mind reducing them, he has to find ways to lift productivity—rethinking processes, redesigning jobs, and eliminating unnecessary tasks.

Over the next five years, therefore, Baxter will have to move to an automated allocation system that requires overseas customers, rather than Baxter Export analysts, to prepare demand forecasts and enter orders. That system would route orders directly to U.S. warehouses and, as a result, decrease each analyst's workload by three days per month within two years. Also, Lewis expects to standardize processes across the 120 countries his department services, eliminating extraneous tasks and allowing employees to address mostly exceptional orders and higher-level issues.

Already, such schemes have relieved the 60-hour weeks that were commonplace a few years ago. Lewis's restructuring is complicated by his division's web of relationships with the many units of its

global parent. Baxter's U.S. manufacturing division, for instance, maintains as little inventory as possible. When demand overseas exceeds expectations, Lewis's analysts cannot always find product easily. If managers in Brazil cram in last-minute orders to meet quarterly quotas, someone at Baxter Export has to work late to meet requirements on time. The attempts to build flexibility into the work schedules and think systemically about reducing the hours worked at Baxter Export is one of the reasons Baxter Healthcare ranked 19th in *Business Week*'s 1997 annual survey of work and family strategies in corporate America.

Applications Stages

Stress and wellness interventions involve (1) diagnosing stress and being aware of its causes and (2) alleviating and coping with stress to improve wellness.

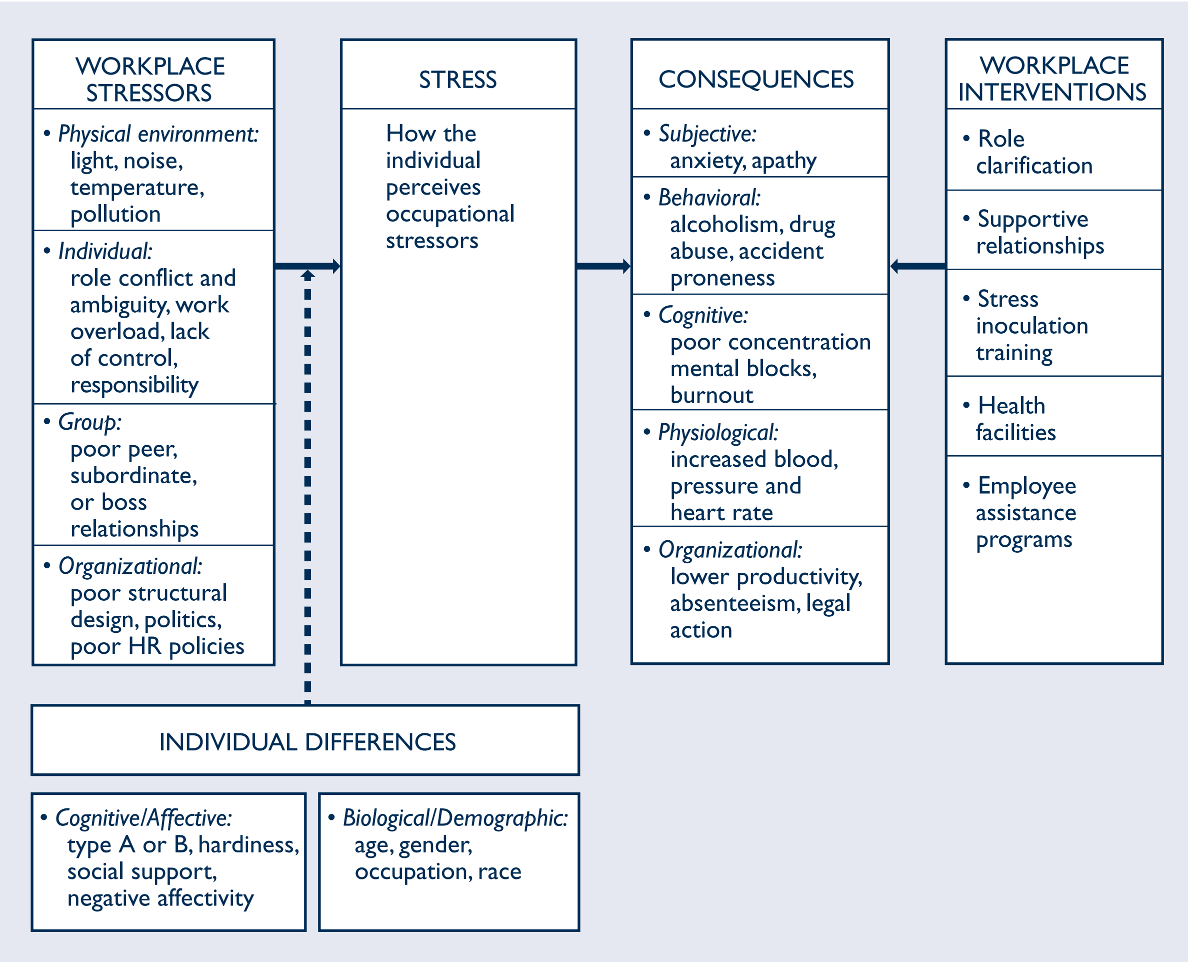
Diagnosing Stress and Becoming Aware of Its Causes Stress refers to the reaction of people to their environments. It involves both physiological and psychological responses to environmental conditions, causing people to change or adjust their behaviors. Stress is generally viewed in terms of the fit of people's needs, abilities, and expectations with environmental demands, changes, and opportunities.[24] A good person–environment fit results in positive reactions to stress; a poor fit leads to the negative consequences already described. Stress is generally positive when it occurs at moderate levels and contributes to effective motivation, innovation, and learning. For example, a promotion is a stressful event that is experienced positively by most employees. On the other hand, stress can be dysfunctional when it is excessively high (or low) or persists over a long period of time. It can overpower a person's coping abilities and cause physical and emotional exhaustion. For example, a boss who is excessively demanding and unsupportive can cause subordinates undue tension, anxiety, and dissatisfaction. Those factors, in turn, can lead to withdrawal behaviors, such as absenteeism and turnover; to ailments, such as headaches and high blood pressure; and to lowered performance. Situations in which there is a poor fit between employees and the organization produce negative stress consequences.

A tremendous amount of research has been conducted on the causes and consequences of work stress. Figure 19.2 identifies specific occupational stressors, potential dysfunctional consequences, and interventions to address stress. People's individual differences determine the extent to which the stressors are perceived negatively. For example, people with strong social support perceive the stressors as less stressful than those who do not have such support. This greater perceived stress can lead to such negative consequences as anxiety, poor decision making, increased blood pressure, and low productivity.

The stress model shows that almost any dimension of the organization, including the physical environment, structure, roles, or relationships, can cause negative stress. This suggests that much of the material covered so far in this book provides knowledge about work-related stressors, and implies that virtually all of the OD interventions included in the book can play a role in stress management. Team building, employee involvement, reward systems, and career planning and development all can help

[Figure 19.2]

Stress Management: Diagnosis and Intervention



SOURCE Adapted from J. Gibson, J. Ivancevich, and J. Donnelly Jr., *Organizations: Behaviors, Structure, Processes*, 8th ed. (Plano, Texas: Business Publications, 1994): 266. Reproduced with permission of The McGraw-Hill Companies.

alleviate stressful working conditions. Thus, to some degree stress management has been under discussion throughout this book. Here, the focus is on those occupational stressors and stress management techniques that are unique to the stress field and that have received the most systematic attention from stress researchers.

Workplace Stressors. Figure 19.2 identifies several organizational sources of stress, including the physical environment, individual situations, group pressures, and organizational conditions. Extensive research has been done on three key individual sources of stress: the individual items related to work overload, role conflict, and role ambiguity.

Research relating workload to stress outcomes reveals that both too much or too little work can have negative consequences. Apparently, when the amount of work is in balance with people's abilities and knowledge, stress has a positive impact on performance and satisfaction, but when workload either exceeds employees' abilities (overload) or fails to challenge them (underload), people experience stress negatively. This negative experience can lead to lowered self-esteem and job dissatisfaction,

nervous symptoms, increased absenteeism, and reduced participation in organizational activities.[25]

People's roles at work also can be a source of stress. A role can be defined as the sum total of expectations that the individual and significant others have about how the person should perform a specific job. Problems arise when there is role ambiguity and the person does not clearly understand what others expect of him or her, or when there is role conflict and the employee receives contradictory expectations that cannot be satisfied at the same time.[26] Extensive studies of role ambiguity and conflict suggest that both conditions are prevalent in organizations, especially among managerial jobs where clarity often is lacking and job demands often are contradictory.[27] For example, managerial job descriptions typically are so general that it is difficult to know precisely what is expected on the job. Similarly, managers spend most of their time interacting with people from other departments, and opportunities for conflicting demands abound in these lateral relationships. Role ambiguity and conflict can cause severe stress, resulting in increased tension, dissatisfaction, and withdrawal, and reduced commitment and trust in others.

Individual Differences. Figure 19.2 identifies two classes of individual differences that can affect how people respond to workplace stressors: cognitive/affective characteristics and biological/demographic characteristics. Much research has been devoted to the cognitive/affective category, especially the Type A behavior pattern, which is characterized by impatience, competitiveness, and hostility. Type A personalities (in contrast to Type Bs) invest long hours working under tight deadlines, and put themselves under extreme time pressure by trying to do more and more work in less and less time. Type A people are especially prone to stress. For example, a longitudinal study of 3,500 men found that Type As had twice as many heart diseases, five times as many second heart attacks, and twice as many fatal heart attacks as did Type Bs.[28]

Stress management is directed at preventing negative stress outcomes either by changing the organizational conditions causing the stress or by enhancing employees' abilities to cope with them. This preventive approach starts from a diagnosis of the current situation, including employees' self-awareness of their own stress and its sources. This diagnosis provides the information needed to develop an appropriate stress management program. There are two methods for diagnosing stress.

Charting stressors involves identifying organizational and personal stressors operating in a particular situation. Guided by a conceptual model like that shown in Figure 19.2, data can be collected through questionnaires and interviews about environmental and personal stressors. For example, researchers at the University of Michigan's Institute for Social Research have developed standardized instruments for measuring most of the stressors shown in Figure 19.2. Similarly, there are specific instruments for measuring the individual differences, such as hardiness, social support, and Type A or B behavior pattern. In addition to perceptions of stressors, it is necessary to measure stress consequences, such as subjective moods, performance, job satisfaction, absenteeism, blood pressure, and cholesterol level. Various instruments and checklists have been developed for obtaining people's perceptions of negative consequences, and these can be supplemented with hard measures taken from company records, medical reports, and physical examinations.

Once measures of the stressors and consequences are obtained, the two sets of data must be related to reveal which stressors contribute most to negative stress in the situation under study. For example, a relational analysis might show that qualitative overload and role ambiguity are highly related to employee fatigue, absenteeism, and poor performance, especially for Type A employees. This kind of information points to specific organizational conditions that must be improved to reduce stress. Moreover, it identifies the kinds of employees who may need special counseling and training in stress management.

Health profiling is aimed at identifying stress symptoms so that corrective action can be taken. Many firms contract with local health care facilities to provide the service. It starts with a questionnaire asking people for their medical history; personal habits; current health; and vital signs, such as blood pressure, cholesterol level, and triglyceride levels. It also may include a physical examination if some of the information is not readily available. Information from the questionnaire and physical examination is then analyzed, usually by a computer that outlines the individual's health profile. This profile compares the individual's characteristics with those of an average person of the same gender, age, and race. The profile identifies the person's future health prospects, typically by placing him or her in a health-risk category with a known probability of fatal disease, such as cardiovascular risk. The health profile also indicates how the health risks can be reduced by making personal and environmental changes such as dieting, exercising, or traveling.

Alleviating and Coping with Stress to Improve Wellness After diagnosing the presence and causes of stress, the next step in stress management is to do something about it. OD interventions for reducing negative stress tend to fall into two groups: those aimed at changing the organizational conditions causing stress and those directed at helping people to cope better with stress. Because stress results from the interaction between people and the environment, both strategies are needed for effective stress management. Five such interventions are described below.

Role Clarification. This involves helping employees better understand the demands of their work roles. A manager's role is embedded in a network of relationships with other managers, each of whom has specific expectations about how the manager should perform the role. Role clarification is a systematic process for revealing others' expectations and arriving at a consensus about the activities constituting a particular role. There are several role clarification methods that follow a similar strategy.[29] First, the people relevant to defining a particular role are identified (e.g., members of a managerial team, a boss and subordinate, and members of other departments relating to the role holder) and brought together at a meeting, usually in a location away from the organization.

Second, the role holder discusses his or her perceived job duties and responsibilities and the other participants are encouraged to comment on and to agree or disagree with the role holder's perceptions. An OD practitioner may act as a process consultant to facilitate interaction and reduce defensiveness. Third, when everyone has reached consensus on defining the role, the role holder is responsible for writing a description of the activities that are seen now as constituting the role. A copy of the role description is distributed to all participants to ensure that they fully understand and agree with the role definition. Fourth, the participants periodically check to see whether the role is being performed as intended and make modifications if necessary.

Supportive Relationships. Building supportive relationships is aimed at helping employees cope with stress rather than at changing the stressors themselves. It involves establishing trusting and genuinely positive relationships among employees, including bosses, subordinates, and peers. Supportive relations have been a hallmark of organization development and are a major part of such interventions as team building, intergroup relations, employee involvement, work design, goal setting, and career planning and development. Considerable research shows that supportive relationships can buffer people against stress.[30] When people feel that relevant others really care about what happens to them and are willing to help, they can cope with stressful conditions.

Work Leaves. In the United States, employees work more hours and take less time off than in most other developed countries. For example, Americans worked an average

of 1,878 hours per year while workers in the United Kingdom averaged 1,711, those in France averaged 1,532, and German workers averaged 1,467. Only Korean employees worked more than Americans. Similarly, other countries offer longer and more flexible work leave arrangements, with vacation minimums often subject to government mandate. The United States and Japan average ten days' annual vacation, and the United Kingdom, France, and Germany average 22, 25, and 24 days, respectively.[31] While some differences can be explained by cultural values or government policies, the potential to affect wellness through work leaves should not be ignored.

As organizations struggle to minimize the effects of work stress, paid and unpaid work leaves are receiving increasing attention. Paid leaves include vacation, holidays, personal days, as well as maternity and paternity leaves. The comparative statistics suggest that globalization may place increasing pressure on vacation allowances. As with vacation time, the United States lags behind other countries in regard to maternity and paternity leaves. Although the Family Medical Leave Act (FMLA) guarantees parents a 12-week unpaid leave, and more people are taking advantage of FMLA unpaid leave, many employees cannot afford to take it, and firms at the top of *Fortune*'s "Best Companies to Work For" list have responded with paid maternity and paternity leaves.[32] Another key work leave intervention is paid sabbaticals, typically received after a specified tenure of service. For example, Perkins Coie, a Seattle law firm with approximately 1,400 employees, offers eight-week paid sabbaticals. In one recent survey, 19% of companies, including Deloitte and Touche, Microsoft and Intel, offered sabbaticals, but only five percent with pay.[33] Sabbaticals are a way of avoiding burnout and renewing employee creativity and commitment.

Unpaid leaves, or leaves of absence, also offer employees a chance to renew and to bring new experiences to the organization, while guaranteeing a job for them upon their return. For example, personal growth leaves or social service leaves may allow an employee to explore an individual interest or cause. Such a leave is an exchange, offering the employee a chance for time off, renewal, and pursuit of a given interest, while retaining a valued employee for the organization.

Health Facilities. A growing number of organizations are providing facilities for helping employees cope with stress. Elaborate exercise facilities are maintained by such firms as Qualcomm, Xerox, Weyerhaeuser, Google, and PepsiCo, and a majority of the Fortune 500 operate corporate cardiovascular fitness programs. Employees at Aetna can earn a financial incentive for their involvement in weight management and fitness programs. Before starting such programs, employees must take an exercise tolerance test and have the approval of either a private or a company doctor. Each participant is then assigned a safe level of heart response to the various parts of the fitness program.

In addition to exercise facilities, some companies, such as McDonald's and Equitable Life Assurance Society, provide biofeedback facilities in which managers take relaxation breaks using biofeedback devices to monitor respiration and heart rate. Feedback of such data helps managers lower their respiration and heart rates. Some companies provide time for employees to meditate, and other firms have stay-well programs that encourage healthy diets and lifestyles.

Employee Assistance Programs. This final stress and wellness intervention is an organizational intervention and a method for helping individuals directly. EAPs help identify, refer, and treat workers whose personal problems affect their performance.[34] While some large companies still provide an in-house EAP, most outsource their EAPs. Initially started in the 1940s to combat alcoholism, these programs have expanded to deal with emotional, family, marital, and financial problems, and, more recently, drug abuse. For example, the 2002 National Survey on Drug Use and Health suggested that

71% of current illicit drug users aged 18 or older were working full- or part-time. Another study of workplace-related drug testing showed a decline in workplace drug use from 1998 to 1999, but a slight increase from 1999 to 2000.[35] Alcohol and drug use costs U.S. business an estimated $102 billion per year in lost productivity, accidents, and turnover.[36] Britain's Royal College of Psychiatrists warned that up to 30% of employees in British companies would experience mental health problems and that 115 million workdays were lost each year as a result of depression.[37] Other factors, too, have contributed to increased problems: altered family structures, the growth of single-parent households, the increase in divorce, greater mobility, and changing modes of child rearing are all fairly recent phenomena that have added to the stress experienced by employees. These trends indicate that an increasing number of employees need assistance with personal problems, and the research suggests that EAP use increases during downsizing and restructuring.[38]

When other stress management interventions are not effective or when employees have particular types of wellness and/or health issues, employee assistance programs provide a means of responding to employee wellness problems, including extreme or chronic stress, drug and alcohol abuse, problems with child and/or elder care, grief, and financial problems.[39] Central to the philosophy underlying EAPs is the belief that although the organization has no right to interfere in the private lives of its employees, it does have a right to impose certain standards of work performance and to establish sanctions when these are not met. Anyone whose work performance is impaired because of a personal problem is eligible for admission into an EAP program. Successful EAPs have been implemented at General Motors, Johnson & Johnson, Motorola, Burlington Northern Railroad, and Dominion Foundries and Steel Company.

Numerous Web sites, including the Employee Assistance Professionals Association, share or provide at minimal cost detailed guidelines on establishing an EAP. These steps include developing an appropriate EAP policy, deciding to insource or outsource the program, communicating the program to organization members, and providing training on EAP use. Recent changes in health care privacy as a result of the Health Insurance Portability and Privacy Act (HIPAA) impact on EAPs, related health insurance benefits, data requirements, and how such data and information can be used and shared.[40]

The Results of Stress Management and Wellness Interventions

The variety of stress management and wellness interventions makes it difficult to provide overall conclusions, but the numerous studies about stress and any particular intervention do add up to a positive recommendation. For example, the research on role clarification supports this intervention. One study found that it reduced stress and role ambiguity and increased job satisfaction.[41] Another study reported that it improved interpersonal relationships among group members and contributed to improved production and quality.[42] Like many of the other studies in this area, the findings should be interpreted carefully because of weak research designs and perceptual measures.

The research on supportive relationships suggests that organizations must become more aware of their value in helping employees cope with stress. They may need to build supportive, cohesive work groups in situations that are particularly stressful, such as introducing new products, solving emergency problems, and handling customer complaints. For example, firms such as Procter & Gamble and the Hartford Financial Services Group have recognized that internal OD consultation can be extremely stressful, and so they have encouraged internal OD practitioners to form support teams

to help each other cope with the demands of the role. Equally important, organizations need to direct more attention to ensuring that managers provide the support and encouragement necessary to help subordinates cope with stress. For example, Pepperdine University's executive programs often include a module on helping subordinates cope with stress, and firms are training managers to be more sensitive to stress and more supportive and helpful to subordinates.

Preliminary evidence suggests that fitness programs can reduce absenteeism and coronary risk factors, such as high blood pressure, body weight, percentage of body fat, and triglyceride levels.[43] A review of the research, however, suggests that fitness programs primarily result in better mental health and resistance to stress and that such organizational improvements as reduced absenteeism and turnover and improved performance are more uncertain.[44]

The amount of research on EAP-related issues is quite large, as a look through dedicated journals, such as the *Journal for Workplace Behavioral Health* or *Employee Assistance Quarterly*, will attest. There is less research on the overall impact of EAPs, although one study demonstrated that EAPs can positively affect absenteeism, turnover, and job performance.[45] Other researchers have been focusing on the integration of EAPs with work–life balance interventions and broader wellness services.[46]

Application 19.2 describes the evolution of an EAP and wellness program at Johnson & Johnson and demonstrates how such programs can be implemented in large, decentralized organizations.[47]

SUMMARY

This chapter presented two important human resources interventions: workforce diversity interventions and employee stress and wellness interventions. Like coaching, career planning and development, and leadership development presented in Chapter 18, these change programs generally are carried out by human resources specialists but have become an important part of OD practice.

Workforce diversity interventions are designed to adapt human resources practices to an increasingly diverse workforce. Age, gender, race, sexual orientation, disability, and culture and value trends point to a more complex set of human resources demands. Within such a context, OD interventions (e.g., job design, performance management, and employee involvement practices) have to be adapted to a diverse set of personal preferences, needs, and lifestyles.

Employee stress and wellness interventions, such as work leaves and employee assistance programs, recognize the important link between worker health and organizational productivity. A model for understanding work-related stress includes occupational stressors; individual differences, which affect how people respond to the stressors; stress outcomes; and interventions to increase wellness or decrease stress. The two main steps in stress management are diagnosing stress and its causes, and alleviating stressors and helping people to cope with stress. Two methods for diagnosing stress are charting stressors and health profiling. Techniques for alleviating stressful conditions include role clarification and supportive relationships. Means for helping workers cope with stress are developing supportive relationships and participating in activities at health and fitness facilities. Finally, EAPs identify, refer, and treat employees and their families for such problems as marital difficulties, drug and alcohol abuse, emotional disturbances, and financial crises. EAPs not only preserve the dignity of the individual but also recognize the organization's right to expect certain work behaviors.

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application 19.2

Johnson & Johnson's Health and Wellness Program

Johnson & Johnson (J&J) is the most diversified health care corporation in the world. It grosses more than $36 billion a year and employs approximately 101,800 people at 190 companies in 51 countries. The J&J companies are decentralized and directly responsible for their own operations. Corporate management is committed to this structure because of the many proven advantages to the businesses and people involved, such as the development of general managers, faster product development, and a closer connection with the customer. Its philosophy is embodied in a document called "Our Credo," a section of which makes a commitment to the welfare of its employees.

J&J has a long history of commitment to health, wellness, and stress management programs. For example, based on a successful pilot project in its Ethicon division during the 1970s, J&J's top management decided to implement EAPs throughout the rest of the company. The J&J EAPs were in-house treatment programs that offered employees and family members confidential, professional assistance for problems related to alcohol and drug abuse, as well as marital, family, emotional, and mental health difficulties. The major goal was to help clients assume responsibility for their own behavior and, if it was destructive to themselves or others, to modify it. Employees could enter an EAP by self-referral or by counseling from their supervisor. The program emphasized the necessity of maintaining complete confidentiality when counseling the employee or family member to protect both the client's dignity and job.

The EAPs were implemented between 1980 and 1985 in three phases. The first phase consisted of contacting the managers and directors of personnel for each of the decentralized divisions and assessing their divisions' EAP needs. An educational process was initiated to inform managers and directors about the EAP. This EAP training was then conducted in each of the personnel departments of the divisions. The second phase included a formal presentation to the management board of each division. It included information about the EAP and about an alcohol and drug component for executives. In the third phase, cost estimates were developed for EAP use and for employment of an EAP administrator to implement the program in each division. In addition, the corporate director of assistance programs established a quality assurance program to review all EAP activities biennially.

Eventually, more than 90% of all domestic employees had direct access to an EAP, and the remaining employees had telephone access. There were EAPs at all major J&J locations throughout the United States, Puerto Rico, and Canada. Programs also operated in Brazil and England. A study of J&J's EAP in the New Jersey area showed that clients with drug abuse, emotional, or mental health problems who availed themselves of EAP services were treated at substantial savings to the company.

The EAPs were ultimately integrated with J&J's original wellness program known as Live for Life. This program was initiated by the chairman of the board in 1979, when he committed to provide all employees and their families with the opportunity to become the healthiest employees of any corporation in the world. The program brought together experts in health care education, behavior change, and disease management to create a program to improve the health and productivity of workers. The Live for Life program offered classes in nutrition, weight reduction, and smoking cessation. In addition, small gymnasiums with workout equipment, aerobics rooms, and swimming pools were made available. In the late 1980s and 1990s the combined programs became known as Live for Life Assistance programs. Health, safety, benefits, wellness, and EAPs worked together to promote employee well-being in the workplace.

The current Johnson & Johnson Health and Wellness Program is an outgrowth of those early programs. It has undergone several transformations in the past two decades to respond to shifting business requirements and changing employee health needs. The Johnson & Johnson Health and Wellness Program includes disability management, occupational health, employee assistance, work–life programs, and wellness and fitness

programs. The program is often studied by other corporations because of its integrated service deliveries.

In 1995, Johnson & Johnson's health and fitness group took a simple step that catapulted participation in the company's wellness program from 26% to 90%. Patricia Flynn, vice president of Johnson & Johnson's health care system, described how J&J offered every employee a $500 health-benefits credit in exchange for completing an annual health-risk assessment before enrolling in the plan. Although the company had offered the assessment optionally for years as part of its wellness program, it was not until the incentive was attached that employees flocked to it. "People think they are fit and might not want to bother with an assessment," Flynn says. "This incentive got them to do it."

In the past, organization members were given incentives for participating in various wellness programs, but the company's focus has shifted all of its incentive dollars toward risk assessment. "We are confident that once employees know what their risks are, then we can make a positive impact on their health," says Jennifer Bruno, director of business planning. Early studies conducted at the company showed that even those employees who took the assessment but had no follow-up support through wellness programs showed improvements in their health.

But for Johnson & Johnson, the assessment is just the beginning. The aggregate data helps the health care group choose the right wellness programs for the exact needs of the population, Bruno says. The program developers aren't guessing at employees' health interests or expecting them to know what programs they will benefit from, she says. They use the hard data to guide their wellness program choices. "We are making better use of our health care dollars, thanks to the assessment information."

For example, the initial assessment showed that the employees had three areas of risk: high cholesterol, high blood pressure, and inactivity. The company now regularly offers exercise and counseling programs to help employees reduce cholesterol and blood pressure and manage weight. Bruno says there are also subtle modifications to the workplace environment that contribute to a healthy culture, such as nutritious choices in the cafeteria, scales in all of the bathrooms, and a nonsmoking environment.

Since the assessment and resulting wellness programs were implemented, costs have decreased significantly at Johnson & Johnson. Between 1995 and 1999, medical care costs decreased by $225 per person due to lower administrative and medical utilization, an annual total savings of $8.5 million. Participating employees had significantly lower medical expenses and improved health-risk factors in categories such as high cholesterol, high blood pressure, and smoking. Importantly, the savings grew over time, with most of the savings attained in the third or fourth year after the program's inception. For those employees who were discovered to be at high risk for a disease and then got their risk reduced, the savings was $390 per year.

The Johnson & Johnson Health and Wellness program demonstrates a long-term commitment to its strategy, its industry, and its people. The execution and coordination of the different wellness components has paid off handsomely for many stakeholders.

Employee Benefits at HealthCo

Scenario #1

"Pat, I just can't do it. I know you want me to go to New York tonight, but I can't make a trip like this at the last minute."

"Chris, you are the best attorney we have for these negotiations—we need you."

"I appreciate the compliment, but I can't arrange the care for my mother and my daughter on four hours notice. I told you during my performance appraisal about the demands I am under—in terms of carrying my own workload and part of Sidney's [a co-worker] during this parental leave time. In addition, like I said, I have two elderly parents, one needing daily care, my toddler daughter, and I am moving next week. I know you want me to progress and I appreciate it, but you know I work hard—I work overtime every week—but I can't do what you want this time. I'm sorry. I'll talk to you later."

Pat hangs up the phone and thinks, "Okay, I know I am asking a lot, but how do I resolve these issues? It's frustrating that Sidney is out on twelve weeks leave—geez!!!—and it's only going to get worse. Chris is my best person . . . why isn't Chris more committed? And doesn't Sidney know that twelve weeks off creates hardships for everyone else? How can I get them to do more?"

Chris walks to the parking lot thinking, "Boy, I thought I made a good move in coming here. But Pat is worse than the partners I used to work for. What am I going to do? Oh well, at least the job market for attorneys is good."

Scenario #2

"Francis, I appreciate your help these last few weeks. I never could have exceeded all my goals or facilitated my team exceeding its goal if you hadn't connected me with Kyle's Elder Care Referral Service. I feel like I would have had to take at least five to seven days off to gather the same information that Kyle had immediately available. And then I would have spent another week or two—not two days—getting my dad settled. I don't know why he decided to retire to Ireland, but he is delighted with the arrangements, and is doing well."

"That's okay, Blair, I'm happy to help. Thank you for the excellent job you've been doing. I really appreciate it. Let's talk about next month's key goals."

Blair had been the project lead during the implementation of a new quality process in the laboratory, and despite an above-average workload the last month, had successfully met the project's objectives. Francis thought, "It was touch and go when Blair's dad suddenly wanted to retire to Ireland, and wanted to move immediately. Thank heaven I remembered reading about Kyle and the Elder Care Referral Service."

Blair left Francis' office with a smile, thinking, "Francis is great to work for . . . I can't even consider any of the calls I'm getting from other hospitals or headhunters. It's just great to work for someone who understands that work is just one part of life."

Scenario #3

Robin, department head for pediatrics at HealthCo's second largest hospital, had asked to meet with Mercer, the director of pediatrics for HealthCo.

"Mercer, thanks for your time. As you know I'm fifty-six this year, and I want to talk to you about my retirement. I have many interests beyond my medical practice, and also want more time with my family and community. What I would like to do is begin working part-time after this first year. What I'm thinking is that I would work thirty hours a week for two years, still holding clinic hours two days week. Then the next three to five years I would like

to transition to full-time retirement. What I would like is to work twenty or so hours per week for those years, working with medical school students and on research projects."

"Well, Robin, as you know, we don't have any formal retirement policy except to fully retire. I'm going to have to talk to HR about this. You have extensive experience and expertise, and I don't want to lose that. I'm just not sure what HR or the Physicians' Council will say."

"I understand. My first choice is to remain with HealthCo, but I know there are organizations that would be interested in my working part-time. When can you get back to me?"

"Give me a couple of weeks, Robin."

"Okay."

Mercer began to think about Robin's request, already hearing HR raise issues like benefits, ongoing participation in retirement funding, and precedents being set. But Mercer didn't want to lose Robin's expertise. And Robin's idea of working with the medical students might let HealthCo create a unique internship and residency experience, which would let HealthCo attract the top students.

BACKGROUND

The people in these three scenarios work for HealthCo, a fully integrated, nonprofit health care organization with nine major medical centers and thirty-six affiliated clinics, rehabilitation units, therapy facilities, hospice and geriatric units, and other highly specialized centers. Located in the eastern United States, HealthCo has about 6,700 employees. Like other health care companies, it employs a disproportionate number of women, especially in nursing and patient care, allied health services, and support staff. The backgrounds of Pat, Francis, and Mercer, all managers at HealthCo, are provided below.

Pat is the chief counsel of HealthCo's internal legal department. Pat has worked for HealthCo for five years, after fifteen years in a major law firm in Washington, D.C. It has been a difficult transition from the "do-anything, 24/7" pace of the firm to the "slower, less professional" pace of HealthCo. Pat is married and has three kids. Pat's spouse is also an attorney. Pat's staff is primarily full-time and works "nine to five." The department is very busy, often with a workload that significantly exceeds the day-to-day capacity of the staff.

Francis serves as the director of laboratory services for the largest hospital. The laboratory is staffed around the clock and can be called on to perform routine and emergency procedures at any time. The new quality process that Blair helped to implement was critical to the lab supporting the hospital's status as the primary emergency and critical-care facility in the region. Francis, who had started in a research lab prior to joining HealthCo, felt the pressure of staffing a 24/7 lab. Having never married, Francis could not imagine juggling marriage and children in addition to the demands of having two parents and five siblings and their families living nearby. Francis tried to help the lab's employees with family or life demands, but did so on a personal basis, and not because the hospital had many such benefits available.

Mercer is a nationally known pediatrician with fifteen years experience, and was recently hired to head HealthCo's pediatrics organization. Mercer's expertise and management capabilities were stretched in a positive way by the demands of such a large and comprehensive pediatric practice. Thriving on that challenge, Mercer had been very successful since taking over the organization. Marrying after medical school to another physician, Mercer felt grateful for being able to work the hours required to fully learn and understand this new position. Mercer knew a number of people on the pediatric staff, including a number of the pediatricians. Many of them felt Mercer worked way too much, and moreover, worried Mercer expected the same of them. Mercer knew that younger physicians

weren't as keen on the 24/7 doctor lifestyle that Mercer's father had lived.

RECENT EVENTS

A couple of weeks after Pat's conversation with Chris, Francis' with Blair, and Mercer's with Robin, a senior staff meeting was called to discuss current issues and the coming year's strategic initiatives. The CEO, Dr. Palmer, recently had became focused on employee retention, after Human Resources reported that HealthCo's turnover was 1.5 times the industry average. While HealthCo was competitive about salary, benefits seemed to be an area needing improvement. Further, the recent issue of *Fortune*, which identified the "Best Companies to Work For," raised Dr. Palmer's awareness of the growing importance of work–life programs and policies.

Dr. Palmer realized that HealthCo did not provide many of the benefits offered by these "best companies." In fact, very few health care companies made the list. Palmer conceded that the twenty-four hours a day, seven days a week nature of health care organizations probably complicated the provision of work–life benefits. However, Palmer also saw a potential competitive advantage in being a leader in providing such benefits, especially when combined with the competitive salary and merit structure HealthCo offered. Dr. Palmer remembered that a survey had been done of HealthCo female employees by an outside research team, and that one area of the survey was work–life issues. A review of the data revealed a number of benefits seen as important to the female employees of HealthCo (see Table 1). The research also had suggested that the immediate supervisor played a vital role in the employee's ability to successfully balance work and life, and the employee's satisfaction with her work–life balance. An immediate supervisor's direct support of work–life balance was significantly linked to other important outcomes, such as job satisfaction, organizational commitment, and intent to leave the organization.

Dr. Palmer raised the question of offering work–life benefits at the senior staff meeting. Dr. Palmer noted that while funding was not unlimited, of course, HealthCo's recent financial performance would permit budget allocations to such benefits, and might also be offset by reduced turnover costs or improved productivity.

Pat immediately stated, "I can barely get my staff together now with all the work we have going on. And, I certainly can't hold their hands. They would never be coddled this way in a law firm. People work the hours needed, no questions asked." Francis said, "I can see the difference such benefits would make, but how do I make this work in a 24/7 department? While Legal might see it as difficult, I see it as impossible, especially any movement away from traditional shifts." A nursing director commented thoughtfully, "Some hospitals are considering shorter, split shifts, and longer shifts to create flexibility—there might be something to that." A number of departments immediately argued such scheduling was a leader's nightmare, and that the company's existing two hours of flextime in a number of departments created serious issues. The V.P. of finance for the hospital spoke up, "I don't see why people with children should be treated differently—it's their choice to have children. I have a life, too, and you don't see me asking for special arrangements. I have employees asking me to work from home—how do I appraise their performance if they primarily work at home?" Mercer thought about Robin's request, wondering if other baby-boomer employees would soon be making similar requests.

Dr. Palmer listened to what was quickly becoming a heated discussion, noting the varied and complicated reactions of the different directors, vice presidents, and other top leaders of the organization. Dr. Palmer commented,

[Table 1]

Rank-Order Importance of Work-Life Benefits for Female Employees at HealthCo

BENEFIT	RANK	CURRENTLY OFFERED BY HEALTHCO
Maternity/Paternity and Family Leave Includes paid maternity and paternity leave, extended paid leave for family issues, and unpaid leave for family issues with the ability to return to work.	1	HealthCo pays six weeks maternity and paternity leave, after the employees has been with the company for one year. Employees can take another six weeks unpaid. No extended leave.
Sabbatical/Extended Leave Paid extended leave after working for a specified time with the company.	2	Not offered by HealthCo.
Fitness Includes on-site fitness facilities, and/or paid health club memberships.	3	Not offered by HealthCo.
Flextime Includes part-time work schedules, flextime, and telecommuting.	4	Flextime, with two-hour flex offered in some departments.
Work–Life Task Force Employee committee that oversees work–life issues.	5	Currently overseen by HR.
Concierge Services Includes services such as on-site takeout, dry cleaning, auto service, and other similar services.	6	Not offered except at corporate headquarters.
Child Care Includes on-site child care, vacation programs, and before and after school care.	7	Sick-child care offered at some of the medical centers.
Referral Services Includes child care, elder care, and other referral services.	8	Not offered by HealthCo.
Paid Health Insurance Premiums	*	HealthCo pays the employee's premium.

*Payment of health insurance premium not rank-ordered, but included in survey information.

"We say in our recruiting materials that our employees *are* HealthCo, that it is individual care in all areas of the company—from nursing to accounting—that makes us different. How can we expect our employees to give individual care if we, as an organization, don't care about them and their lives?"

"I'd like a team of four to six volunteers to put together a plan for becoming a top company in terms of work–life benefits. Please identify the key issues in serving all employees with such a set of benefits, and any related issues."

Questions

1. How would you conduct a diagnosis of the situation at HealthCo?
2. Based on the information provided in the scenarios and the case, what is your own diagnosis of the situation?
3. What do you see as the key issues in HealthCo becoming a top company in terms of work–life benefits?

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6

part 6

Strategic Change Interventions

20

Transformational Change

This chapter presents interventions for transforming organizations—that is, for changing the basic character of the organization, including how it is structured and how it relates to its environment. These frame-breaking and sometimes revolutionary interventions go beyond improving the organization incrementally, focusing instead on changing the way it views itself and its environment. They bring about important alignments between the organization and its competitive environment and among the organization's strategy, design elements, and culture.

Transformational change can occur in response to or in anticipation of major changes in the organization's environment or technology. In addition, these changes often are associated with significant revision of the firm's business strategy, which, in turn, may require modifying internal structures and processes as well as its corporate culture to support the new direction. Such fundamental change entails a new paradigm for organizing and managing organizations. It involves qualitatively different ways of perceiving, thinking, and behaving in organizations. Movement toward this new way of operating requires senior executives to take an active leadership role. The change process is characterized by considerable innovation as members discover new ways of improving the organization and adapting it to changing conditions.

Transformational change is an emerging part of organization development, and there is some confusion about its meaning and definition. This chapter starts with a description of several major features of transformational change. Against this background, three kinds of interventions are discussed: integrated strategic change, organization design, and culture change.

Integrated strategic change is a comprehensive OD intervention aimed at a single organization or business unit. It suggests that business strategy and organization design must be aligned and changed together to respond to external and internal disruptions. A strategic change plan helps members manage the transition between the current strategic orientation and the desired future strategic orientation.

Organization design addresses the different elements that comprise the "architecture" of the organization, including structure, work design, human resources practices, and management and information systems. It seeks to fit or align these components with each other so they direct members' behaviors in a strategic direction.

An organization's culture is the pattern of assumptions, values, and norms that are more or less shared by organization members. A growing body of research has shown that culture can affect strategy formulation and implementation as well as the firm's ability to achieve high levels of performance. Culture change involves helping senior executives and administrators diagnose the existing culture and make necessary alterations in the basic assumptions and values underlying organizational behaviors.

CHARACTERISTICS OF TRANSFORMATIONAL CHANGE

As the twenty-first century unfolds, a large number of organizations are radically altering how they operate and relate to their environments.[1] Increased global competition is forcing many organizations to downsize or consolidate and become leaner, more efficient, and flexible. Deregulation is pushing firms in the financial services,

telecommunications, and airline industries to rethink business strategies and reshape how they operate. Public demand for less government intervention and lowered deficits is forcing public sector agencies to streamline operations and to deliver more for less. Rapid changes in technologies render many organizational practices obsolete, pushing firms to be continually innovative and nimble.

Organization transformation implies radical changes in how members perceive, think, and behave at work. These changes go far beyond making the existing organization better or fine-tuning the status quo. They are concerned with fundamentally altering the prevailing assumptions about how the organization functions and relates to its environment. Changing these assumptions entails significant shifts in corporate values and norms and in the structures and organizational arrangements that shape members' behaviors. Not only is the magnitude of change greater, but the change fundamentally alters the qualitative nature of the organization.

Change Is Triggered by Environmental and Internal Disruptions

Organizations are unlikely to undertake transformational change unless significant reasons to do so emerge. Power, emotion, and expertise are vested in the existing organizational arrangements, and when faced with problems, organizations are more likely to fine-tune those structures than to alter them drastically. Thus, in most cases, organizations must experience or anticipate a severe threat to survival before they will be motivated to undertake transformational change.[2] Such threats arise when environmental and internal changes render existing organizational strategies and designs obsolete. The changes threaten the very existence of the organization as it presently is constituted.

In studying a large number of organization transformations, Tushman, Newman, and Romanelli showed that transformational change occurs in response to at least three kinds of disruption:[3]

1. **Industry discontinuities**—sharp changes in legal, political, economic, and technological conditions that shift the basis for competition within an industry
2. **Product life cycle shifts**—changes in product life cycle that require different business strategies
3. **Internal company dynamics**—changes in size, corporate portfolio strategy, or executive turnover.

These disruptions severely jolt organizations and push them to question their business strategy and, in turn, their mission, values, structure, systems, and procedures.

Change Is Aimed at Competitive Advantage

Transformational change is concerned with choices organizations make to improve their competitive performance. To establish a competitive advantage, organizations must achieve a favored position vis-à-vis their competitors or perform internally in ways that are unique, valuable, and difficult to imitate.[4] Although typically associated with for-profit firms, these competitive criteria can also apply to nonprofit and governmental organizations. Activities that are unique, valuable, and difficult to imitate enhance the organization's performance by establishing a competitive advantage over its rivals.

Uniqueness All organizations possess a unique bundle of resources and processes which, individually or in combination, represent the source of competitive advantage. An important task in transformational change is to understand these unique organizational features. For example, resources can be financial, such as access to low-cost

capital; reputational, such as brand image or a history of product quality; technological, such as patents, know-how, or a strong research and development department; and human, such as excellent labor–management relationships or employees with scarce and valuable skills. Apple's reputation as a leading-edge innovator of consumer electronic products, such as the iPod and iPhone, makes a powerful case for how resources alone can represent a unique advantage.

An organization's processes—regular patterns of organizational activity involving a sequence of tasks performed by individuals[5]—use resources to produce goods and services. For example, a software development process combines computer resources, programming languages, typing skills, knowledge of computer languages, and customer requirements to produce a new software application. Other organizational processes include new product development, strategic planning, appraising member performance, making sales calls, fulfilling customer orders, and the like. When resources and processes are formed into *capabilities* that allow the organization to perform complex activities better than others, a distinctive competence is identified.[6] Collins found that a key determinant in an organization's transition from "good to great" was a clear understanding and commitment to the one thing an organization does better than anyone else.[7]

Value Organizations achieve competitive advantage when their unique resources and processes are arranged in such a way that products or services either warrant a higher-than-average price or are exceptionally low in cost. Both advantages are valuable according to a performance/price criterion. Products and services with highly desirable features or capabilities, although expensive, are valuable because of their ability to satisfy customer demands for high quality or some other performance dimension. BMW automobiles are valuable because the perceived benefits of superior handling exceed the price paid. On the other hand, outputs that cost little to produce are valuable because of their ability to satisfy customer demands at a low price. Hyundai automobiles are valuable because they provide basic transportation at a low price. BMW and Hyundai are both profitable, but they achieve that outcome through different value propositions.

Difficult to Imitate Finally, competitive advantage is sustainable when unique and valuable resources and processes are difficult to mimic or duplicate by other organizations.[8] Organizations have devised a number of methods for making imitation difficult. For example, they can protect their competitive advantage by making it difficult for other firms to identify their distinctive competence. Disclosing unimportant information at trade shows or forgoing superior profits can make it difficult for competitors to identify an organization's strengths. Organizations also can aggressively pursue a range of opportunities, thus raising the cost for competitors who try to replicate their success. Finally, organizations can seek to retain key human resources through attractive compensation and reward practices like those described in Chapter 17, thereby making it more difficult and costly for competitors to attract such talent.

The success of a competitive strategy depends on organization responses that result in unique, valuable, and difficult-to-imitate advantages. Transformational change assists organizations in developing these advantages and managing strategic change.

Change Is Systemic and Revolutionary

Transformational change involves reshaping the organization's design elements and culture. These changes can be characterized as systemic and revolutionary because the entire nature of the organization is altered fundamentally. Typically driven by senior executives, change may occur rapidly so that it does not get mired in politics, individual resistance, and other forms of organizational inertia.[9] This is particularly pertinent

to changing the different features of the organization, such as structure, information systems, human resources practices, and work design. These features tend to reinforce one another, thus making it difficult to change them in a piecemeal manner.[10] They need to be changed together and in a coordinated fashion so that they can mutually support each other and the new cultural values and assumptions.[11] Ultimately, these changes should motivate and direct people's behavior in a new strategic direction. They are considered transformational when a majority of individuals in an organization change their behavior.[12]

Long-term studies of organizational evolution underscore the revolutionary nature of transformational change.[13] They suggest that organizations typically move through relatively long periods of smooth growth and operation. These periods of convergence or evolution are characterized by incremental changes. At times, however, most organizations experience severe external or internal disruptions that render existing organizational arrangements ineffective. Successful firms respond to these threats to survival by transforming themselves to fit the new conditions. These periods of total system and quantum changes represent abrupt shifts in the organization's structure, culture, and processes. If successful, the shifts enable the organization to experience another long period of smooth functioning until the next disruption signals the need for drastic change.[14]

These studies of organization evolution and revolution point to the benefits of implementing transformational change as rapidly as possible. The faster the organization can respond to disruptions, the quicker it can attain the benefits of operating in a new way. Rapid change enables the organization to reach a period of smooth growth and functioning sooner, thus providing it with a competitive advantage over those firms that change more slowly.

Change Demands a New Organizing Paradigm

Organizations undertaking transformational change are, by definition, involved in second-order or gamma types of change.[15] *Gamma change* involves discontinuous shifts in mental or organizational frameworks.[16] Creative metaphors, such as "organization learning" or "continuous improvement," are often used to help members visualize the new paradigm.[17] Increases in technological change, concern for quality, and worker participation have led many organizations to shift their organizing paradigm. Characterized as the transition from a "control-based" to a "commitment-based" organization, the features of the new paradigm include leaner, more flexible structures; information and decision making pushed down to the lowest levels; decentralized teams and business units accountable for specific products, services, or customers; and participative management and teamwork. This new organizing paradigm is well suited to changing conditions.

Change Is Driven by Senior Executives and Line Management

A key feature of transformational change is the active role of senior executives and line managers in all phases of the change process.[18] They are responsible for the strategic direction and operation of the organization and actively lead the transformation. They decide when to initiate transformational change, what the change should be, how it should be implemented, and who should be responsible for directing it. Because existing executives may lack the talent, energy, and commitment to undertake these tasks, they may be replaced by outsiders who are recruited to lead the change. Research on transformational change suggests that externally recruited executives are three times more likely to initiate such change than are existing executives.[19]

The critical role of executive leadership in transformational change is clearly emerging. Lucid accounts of transformational leaders describe how executives, such as Jack

Welch at General Electric, Lou Gerstner at IBM, and Sir Colin Marshall at British Airways, actively managed both the organizational and personal dynamics of transformational change.[20] The work of Nadler, Tushman, and others points to three key roles for executive leadership of such change:[21]

1. **Envisioning.** Executives must articulate a clear and credible vision of the new strategic orientation. They also must set new and difficult standards for performance, and generate pride in past accomplishments and enthusiasm for the new strategy.
2. **Energizing.** Executives must demonstrate personal excitement for the changes and model the behaviors that are expected of others. Behavioral integrity, credibility, and "walking the talk" are important ingredients.[22] They must communicate examples of early success to mobilize energy for change.
3. **Enabling.** Executives must provide the resources necessary for undertaking significant change and use rewards to reinforce new behaviors. Leaders also must build an effective top-management team to manage the new organization and develop management practices to support the change process.

Change Involves Significant Learning

Transformational change requires much learning and innovation.[23] Organizational members must learn how to enact the new behaviors required to implement new strategic directions. This typically involves trying new behaviors, assessing their consequences, and modifying them if necessary. Because members usually must learn qualitatively different ways of perceiving, thinking, and behaving, the learning process is likely to be substantial and to involve much unlearning. It is directed by a vision of the future organization and by the values and norms needed to support it. Learning occurs at all levels of the organization, from senior executives to lower-level employees.

Because the environment itself is likely to be changing during the change process, transformational change rarely has a delimited time frame but is likely to persist as long as the firm needs to adapt to change. Learning how to manage change continuously can help the organization keep pace with a dynamic environment. It can provide the built-in capacity to fit the organization continually to its environment. Chapter 21 presents OD interventions for helping organizations gain this capability for continuous change and learning.

INTEGRATED STRATEGIC CHANGE

Integrated strategic change (ISC) extends traditional OD processes into the content-oriented discipline of strategic management. It is a deliberate, coordinated process that leads gradually or radically to systemic realignments between the environment and a firm's strategic orientation, and that results in improvement in performance and effectiveness.[24]

The ISC process was initially developed by Worley, Hitchin, and Ross in response to managers' complaints that good business strategies often are not implemented.[25] Research suggests that too little attention is given to the change process and human resources issues necessary to execute strategy.[26] The predominant paradigm in strategic management—formulation and implementation—artificially separates strategic thinking from operational and tactical actions; it ignores the contributions that planned change processes can make to implementation.[27] In the traditional process, senior managers and strategic planning staff prepare economic forecasts, competitor analyses, and market studies. They discuss these studies and rationally align the firm's strengths and weaknesses with environmental opportunities and threats to

form the organization's strategy.[28] Then, implementation occurs as middle managers, supervisors, and employees hear about the new strategy through memos, restructuring announcements, changes in job responsibilities, or new departmental objectives. Consequently, because participation has been limited to top management, there is little understanding of the need for change and little ownership of the new behaviors, initiatives, and tactics required to achieve the announced objectives.

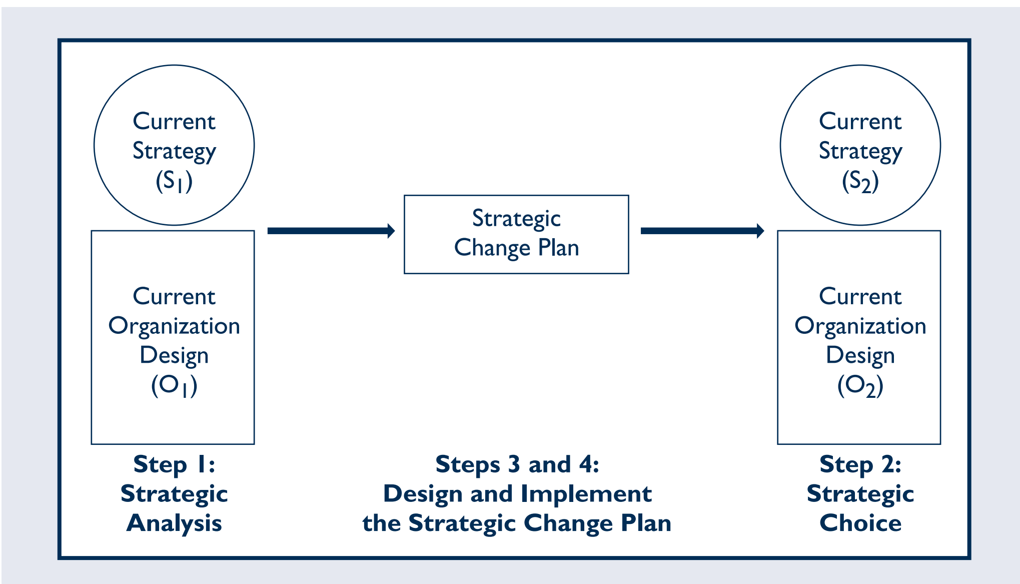
Key Features ISC, in contrast to the traditional process, was designed to be a highly participative process. It has three key features:[29]

1. The relevant unit of analysis is the organization's *strategic orientation* comprising its strategy and organization design. Strategy and the design that supports it must be considered as an integrated whole.
2. Creating the strategic plan, gaining commitment and support for it, planning its implementation, and executing it are treated as one integrated process. The ability to repeat such a process quickly and effectively when conditions warrant is valuable, rare, and difficult to imitate. Thus, a strategic change capability represents a sustainable competitive advantage.[30]
3. Individuals and groups throughout the organization are integrated into the analysis, planning, and implementation process to create a more achievable plan, to maintain the firm's strategic focus, to direct attention and resources on the organization's key competencies, to improve coordination and integration within the organization, and to create higher levels of shared ownership and commitment.

Application Stages The ISC process is applied in four phases: performing a strategic analysis, exercising strategic choice, designing a strategic change plan, and implementing the plan. The four steps are discussed sequentially here but actually unfold in overlapping and integrated ways. Figure 20.1 displays the steps in the ISC process and its change components. An organization's existing strategic orientation, identified as

[Figure 20.1]

The Integrated Strategic Change Process



its current strategy (S_1) and organization design (O_1), is linked to its future strategic orientation (S_2/O_2) by the strategic change plan.

1. **Performing the strategic analysis.** The ISC process begins with a diagnosis of the organization's readiness for change and its current strategy and organization design (S_1/O_1). The most important indicator of readiness is senior management's willingness and ability to carry out strategic change. Greiner and Schein suggest that the two key dimensions in this analysis are the leader's willingness and commitment to change and the senior team's willingness and ability to follow the leader's initiative.[31] Organizations whose leaders are not willing to lead and whose senior managers are not willing and able to support the new strategic direction when necessary should consider team-building processes to ensure their commitment.

   The second stage in strategic analysis is understanding the current strategy and organization design. The process begins with an examination of the organization's industry as well as its current financial performance and effectiveness. This information provides the necessary context to assess the current strategic orientation's viability. Porter's model of industry attractiveness[32] and the environmental framework introduced in Chapter 5 are the two most relevant models for analyzing the environment.

   Next, the current strategic orientation is described to explain current levels of performance and human outcomes. Several models for guiding this diagnosis exist.[33] For example, the organization's current strategy, structure, and processes can be assessed according to the model and methods introduced in Chapter 5. A metaphor or other label that describes how the organization's mission, objectives, and business policies lead to improved performance can be used to represent strategy. 3M's traditional strategy of "differentiation" aptly summarizes its mission to solve unsolved problems innovatively, its goal of having a large percentage of current revenues come from products developed in the last five years, and its policies that support innovation, such as encouraging engineers to spend up to 15% of their time on new projects. An organization's objectives, policies, and budgets signal which parts of the environment are important, and allocate and direct resources to particular environmental relationships.[34] Intel's new-product development objectives and allocation of more than 20% of revenues to research and development signal the importance of its linkage to the technological environment.

   The organization's design is described by the structure, work design, information system, and human resources system. Other models for understanding the organization's strategic orientation include the competitive positioning model[35] and other typologies.[36] These frameworks assist in assessing customer satisfaction; product and service offerings; financial health; technological capabilities; and organizational culture, structure, and systems.

   The strategic analysis process actively involves organization members. Large group conferences; employee focus groups; interviews with salespeople, customers, and purchasing agents; and other methods allow a variety of employees and managers to participate in the diagnosis and increase the amount and relevance of the data collected. This builds commitment to and ownership of the analysis; should a strategic change effort result, members are more likely to understand why and be supportive of it.
2. **Exercising strategic choice.** Once the existing strategic orientation is understood, a new one must be designed. For example, the strategic analysis might reveal misfits among the organization's environment, strategic orientation, and performance. These misfits can be used as inputs for crafting the future strategy and organization design. Based on this analysis, senior management formulates visions for the future and broadly defines two or three alternative sets of strategies and objectives

for achieving those visions. Market forecasts, employees' readiness and willingness to change, competitor analyses, and other projections can be used to develop the alternative future scenarios.[37] The different sets of strategies and objectives also include projections about the organization design changes that will be necessary to support each alternative. Although participation from other organizational stakeholders is important in the alternative generation phase, choosing the appropriate strategic orientation ultimately rests with top management and cannot easily be delegated. Senior executives are in the unique position of viewing a strategy from a general-management position. When major strategic decisions are given to lower-level managers, the risk of focusing too narrowly on a product, market, or technology increases.

This step determines the content or "what" of strategic change. The desired strategy (S_2) defines the products or services to offer, the markets to be served, and the way these outputs will be produced and positioned. The desired organization design (O_2) specifies the organization structures and processes necessary to support the new strategy. Aligning an organization's design with a particular strategy can be a major source of superior performance and competitive advantage.[38]

3. **Designing the strategic change plan.** The strategic change plan is a comprehensive agenda for moving the organization from its current strategy and organization design to the desired future strategic orientation. It represents the process or "how" of strategic change. The change plan describes the types, magnitude, and schedule of change activities, as well as the costs associated with them. It also specifies how the changes will be implemented, given power and political issues; the nature of the organizational culture; and the current ability of the organization to implement change.[39]
4. **Implementing the plan.** The final step in the ISC process is the actual implementation of the strategic change plan. This draws heavily on knowledge of motivation, group dynamics, and change processes. It deals continuously with such issues as alignment, adaptability, teamwork, and organizational and personal learning. Implementation requires senior managers to champion the different elements of the change plan. They can, for example, initiate action and allocate resources to particular activities, set high but achievable goals, and provide feedback on accomplishments. In addition, leaders must hold people accountable to the change objectives, institutionalize the changes that occur, and be prepared to solve problems as they arise. This final point recognizes that no strategic change plan can account for all of the contingencies that emerge. There must be a willingness to adjust the plan as implementation unfolds to address unforeseen and unpredictable events and to take advantage of new opportunities.

Application 20.1 describes an integrated strategic change process at Microsoft Canada and demonstrates how the process was refined over time as the organization built its capability in strategic management.

ORGANIZATION DESIGN

Organization design configures the organization's structure, work design, human resources practices, and management and information systems to guide members' behaviors in a strategic direction. This intervention typically occurs in response to a major change in the organization's strategy that requires fundamentally new ways for the organization to function and members to behave. It involves many of the organizational features discussed in previous chapters such as restructuring organizations (Chapter 14), work design (Chapter 16), and performance management (Chapter 17). Because they all significantly affect member behavior, organization

Managing Strategic Change at Microsoft Canada

Microsoft Canada is a subsidiary of the Microsoft Corporation responsible for the marketing, sales, and service of the full range of software products, including the Windows operating systems, the Office productivity suite, a variety of .Net products, and the Xbox video game console. The organization marketed to a variety of segments, such as software application developers, small and medium business, and large enterprises, through a broad range of partners that worked directly with the client organizations to install and optimize the software's use. A small service organization, along with the partner, provided consulting support to clients.

Prior to 2001, Microsoft Canada had been part of the North American subsidiary. Under this structure, the large U.S. market was clearly the focus of attention for Microsoft's server, desktop, and other software products. However, Frank Clegg, President of Microsoft Canada, argued that the Canadian market was different and underdeveloped. It had a different mix of customers than did the United States, different competitors, and different growth opportunities. Moreover, software sales and personal computer shipments as a percentage of the market's size and growth were below worldwide averages. These differences, Clegg argued, warranted a specialized strategy.

As the fiscal year ended, Clegg and his newly appointed Director of Strategic Planning, Sandra Palmero, wanted to seize the opportunity to define a uniquely Canadian strategy. Prior to becoming Director of Strategic Planning, Palmero had been Director of Marketing and Corporate Communications in Microsoft Canada. There, with Richard Reynolds, her senior marketing manager, they had crafted and implemented a participative process of strategic planning. Palmero contacted the OD practitioner who had worked with them and contracted to design and implement a strategic planning process for the Canadian organization. Over a two-month period, Palmero conceived of a series of workshops involving the Canadian Leadership Team (CLT). This team represented a broad cross section of the organization, including representatives from the legal staff, human resources, Microsoft's consulting and service business, marketing managers, customer support, and managers responsible for different segments of Microsoft's business, including enterprise customers, small and medium business, Xbox, and the Microsoft Network (MSN).

The strategic analysis phase consisted of preliminary work by several members of the CLT as well as initial exercises during the first workshop. Members of the CLT each prepared an analysis of their respective area of responsibility. For example, the enterprise sales manager provided historical growth rates in revenues, developed forecasts for market growth and Microsoft's share, described current levels of customer satisfaction, and a technology road map of products being developed by the Redmond headquarters organization. In addition to these specific analyses, Palmero contracted with a market-research firm to provide overall descriptions of the Canadian information technology market. Finally, a competitor analysis was performed to develop an understanding of likely strategies, goals, and initiatives from key competitors such as IBM, Oracle, and Sun Microsystems, as well as the competitive threat posed by the Linux operating system software.

During the first workshop, the CLT used the prework data to perform an environmental scan. They discussed, debated, and ultimately came to some agreements about the trends affecting the organization. Based on that scan, the group engaged in a vision and value formulation exercise and set out an initial list of short- and long-term goals. These activities led to several important decisions for the new marketing organization. For example, the vision and values exercise produced important insights about what the Canadian organization stood for, its uniqueness compared to other marketing subsidiaries within the Microsoft organization, and its strengths in competing as a Canadian organization. The values also informed discussions about future goals and the strategy for achieving them. Importantly, the Canadian leadership realized that customer loyalty would and should become a driving force for the organization. This realization led to passionate discussions about the relative emphasis in the organization on revenues versus customer satisfaction and loyalty. It also led

to the development of a Big Hairy Audacious Goal (BHAG) that the members of the CLT believed would be challenging but achievable.

The first workshop ended with a number of assignments, unresolved issues, and excitement about the future. In between the first and second workshops, members of the CLT worked with their own organizations. Issues, decisions, and questions that were addressed within the CLT were discussed throughout the organization. The most important discussion concerned the BHAG and the relative emphasis of revenues and customer loyalty over the short and the long term. A consensus began to emerge that the right and proper strategy for Microsoft Canada was to argue for a slower growth rate in revenues in the short term, invest in customer satisfaction and loyalty, and then leverage that loyalty for a more secure stream of revenues in the future.

Frank Clegg took this idea to the executives in Redmond and discussed the implications of this strategy, including revenue projections, budget implications, the risks involved, and how the strategy aligned with corporate and other marketing organizations' initiatives. The results of these conversations became the subject of opening discussions at the second workshop.

The cautious but positive support from the corporate organization allowed the CLT to move forward on its strategic intent. In the second workshop, the organization's mission and values were finalized, year-by-year revenue goals were agreed upon to achieve the BHAG, and these goals were broken down and assigned to specific groups and managers. Finally, key customer and partner-loyalty programs were established and outlined. Ownership for the different initiatives was assigned and a strategic change plan emerged. Clegg pressed the group on its decision to emphasize customer loyalty and challenged the group with several scenarios that tempted them to trade off satisfaction for revenue. These scenarios helped cement the CLT's commitment to their strategy.

An important part of the strategic change plan that emerged was a discussion and decision to tie the individual performance appraisals of CLT members to the achievement of both revenue and customer satisfaction goals. The CLT as a whole also staked their end-of-fiscal-year bonuses to the achievement of customer satisfaction, rather than revenue goals.

The strategic change efforts at Microsoft Canada are important for several reasons. First, the Canadian organization's realization of the importance of customer satisfaction and loyalty was influential in moving the larger Microsoft Corporation to examine its values in this area. *Business Week* reported on the changes Steve Ballmer was making in the organization; they reflected the increased importance of customer loyalty in Microsoft's strategy and structure changes. Second, the organization learned how to organize a strategic planning effort. In the two years since this effort began, Sandra Palmero has built a stronger strategic planning organization and has taken more and more responsibility for driving the strategic planning process. Even as the corporate Microsoft organization was making important changes in its reporting structure, financial systems, and business processes, the Canadian organization was able to adapt using its own resources and knowledge. Finally, the BHAG has become an institutionalized part of the organization that drives thinking and decision making in the organization.

design constructs them to fit with each other so they all mutually reinforce the desired behavior in the new strategic direction. This comprehensive intervention contrasts sharply with piecemeal approaches that address the design elements separately and thus risk misaligning them with each other and sending mixed signals about desired behaviors. For example, many organizations have experienced problems implementing team-based structures because their existing information and reward systems emphasize individual-based performance.

Conceptual Framework

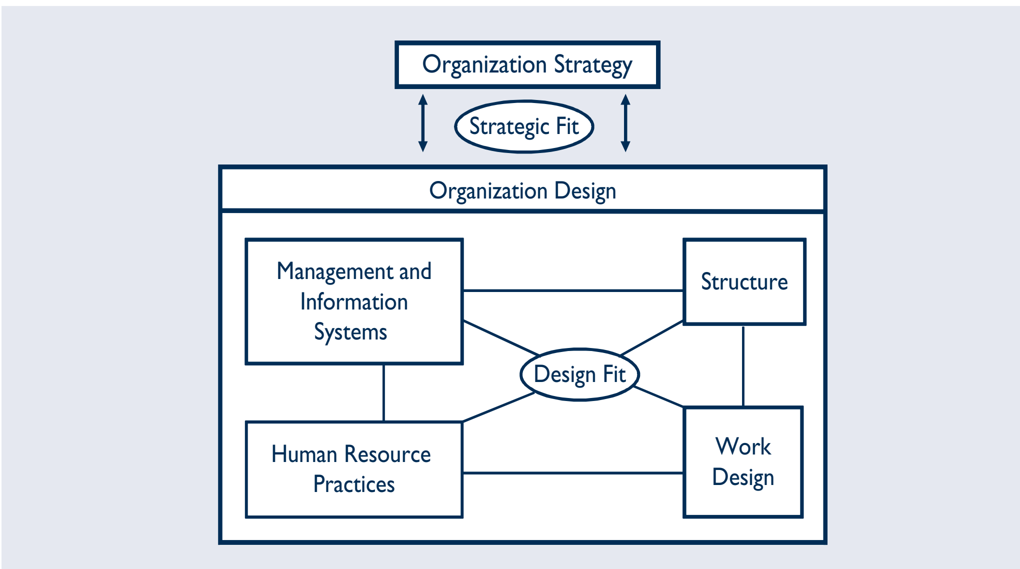
A key notion in organization design is "fit," "congruence," or "alignment" among the organizational elements.[40] Figure 20.2 presents a systems model showing the different components of organization design and the interdependencies among them. It highlights the idea that the organization is designed to support a particular strategy (strategic fit) and that the different design elements must be aligned with each other and all work together to guide members' behavior in that strategic direction (design fit). Research shows that the better these fits, the more effective the organization is likely to be.[41]

Most of the design components have been described previously in this book, so they are reviewed briefly below.

- **Strategy** determines how the organization will use its resources to gain competitive advantage. It may focus on introducing new products and services (innovation strategy), controlling costs and reducing prices (cost-minimization strategy), or some combination of both (imitation strategy). Strategy sets the direction for organization design by identifying the criteria for making design choices and the organizational capabilities needed to make the strategy happen.
- **Structure** has to do with how the organization divides tasks, assigns them to departments, and coordinates across them. It generally appears on an organization chart showing the chain of command—where formal power and authority reside and how departments relate to each other. Structures can be highly formal and promote control and efficiency, such as a functional structure; or they can be loosely defined and flexible and favor change and innovation, such as a matrix, process, or network structure.
- **Work design** specifies how tasks are performed and assigned to jobs or groups. It can create traditional jobs and groups that involve standard tasks with little task variety and decision making, or enriched jobs and self-managed teams that involve highly variable, challenging, and discretionary work.

[Figure 20.2]

Organization Design Model



- **Human resources practices** involve selecting people and training, developing, and rewarding them. These methods can be oriented to hiring and paying people for specific jobs, training them when necessary, and rewarding their individual performance. Conversely, human resources practices can also select people to fit the organization's culture, continually develop them, and pay them for learning multiple skills and contributing to business success.
- **Management and information systems** have to do with how employees are led and the nature and kinds of information they are provided to guide their work. Managers can lead through command and control, relying on hierarchical authority and the chain of command; or they can be highly participative and facilitate employee involvement in decision making. Information systems can be highly centralized, with limited access and data sharing; or they can be open and distribute copious information throughout the organization.

Table 20.1 shows how these design components can be configured into two radically different organization designs: *mechanistic*, supporting efficiency and control, and *organic*, promoting innovation and change.[42] Mechanistic designs have been prevalent in organizations for over a century; they propelled organizations into the industrial age. Today, competitive conditions require many organizations to be more flexible, fast, and inventive.[43] Thus, organization design is aimed more and more at creating organic designs, both in entirely new start-ups and in existing firms that reconfigure mechanistic designs to make them more organic. Designing a new organization is much easier than redesigning an existing one in which multiple sources of inertia and resistance to change are likely embedded.

As shown in Table 20.1, a mechanistic design supports an organization strategy emphasizing cost minimization, such as might be found at Wal-Mart and McDonalds or

[Table 20.1]

Organization Designs

	MECHANISTIC DESIGN	ORGANIC DESIGN
Strategy	• Cost minimization	• Innovation
Structure	• Formal/hierarchical • Functional	• Flat, lean, and flexible • Matrix, process, and network
Work design	• Traditional jobs • Traditional work groups	• Enriched jobs • Self-managed teams
Human Resources Practices	• Selection to fit job • Up-front training • Standard reward mix • Pay for performance and individual merit • Job-based pay	• Selection to fit organization • Continuous training and development • Individual choice rewards • Pay for performance and business success • Skill-based pay
Management and Information Systems	• Command and control • Closed, exclusive, centralized information	• Employee involvement • Open, inclusive, distributed information

other firms competing on price. The organization tends to be structured into functional departments, with employees performing similar tasks grouped together for maximum efficiency. The managerial hierarchy is the main source of coordination and control. Accordingly, work design follows traditional principles, with jobs and work groups being highly standardized with minimal decision making and skill variety. Human resources practices are geared toward selecting people to fit specific jobs and training them periodically when the need arises. Employees are paid on the basis of the job they perform, share a standard set of fringe benefits, and achieve merit raises based on their individual performance. Management practices stress command and control, with power concentrated at the top of the organization and orders flowing downward through the chain of command. Similarly, information systems are highly centralized, limited in access, and do not permit sharing data widely in the organization. When taken together, all of these design elements direct organizational behavior toward efficiency and cost minimization.

Table 20.1 shows that an organic design supports an organization strategy aimed at innovation, such as might be found at 3M, Apple Computer, and Intel or other firms competing on new products and services. All the design elements are geared to getting employees directly involved in the innovation process, facilitating interaction among them, developing and rewarding their knowledge and expertise, and providing them with relevant and timely information. Consequently, the organization's structure tends to be flat, lean, and flexible like the matrix, process, and network structures described in Chapter 14. Work design is aimed at employee motivation and decision making with enriched jobs and self-managed teams. Human resources practices focus on attracting, motivating, and retaining talented employees. They send a strong signal that employees' knowledge and expertise are key sources of competitive advantage. Members are selected to fit an organization culture valuing participation, teamwork, and invention. Training and development are intense and continuous. Members are rewarded for learning multiple skills, have choice about fringe benefits, and gain merit pay based on the business success of their work unit. Management practices are highly participative and promote employee involvement. Information systems are highly open and inclusive, providing relevant and timely information throughout the organization. In sum, these design choices guide members' behaviors toward change and innovation.

Application Stages Organization design can be applied to the whole organization or to a major subpart such as a large department or stand-alone unit. It can start from a clean slate in a new organization or reconfigure an existing organization design. To construct the different design elements appropriately requires broad content knowledge of them. Thus, organization design typically involves a team of OD practitioners with expertise in corporate strategy, organization structure, work design, human resources practices, and management and information systems. This team works closely with senior executives who are responsible for determining the organization's strategic direction and leading the organization design intervention. The design process itself can be highly participative, involving stakeholders from throughout the organization. This can increase the design's quality and stakeholders' commitment to implementing it.[44]

Organization design generally follows the three broad steps outlined below.[45] Although they are presented sequentially, in practice they are highly interactive, often feeding back on each other and requiring continual revision as the process unfolds.

1. **Clarifying the design focus.** This preliminary stage involves assessing the organization to create the overall framework for design. It starts with examining the organization's strategy and objectives and determining what organization capabilities are needed to achieve them. These become the design criteria for making

choices about how to configure the design components. Then, the organization is assessed against these design criteria to uncover gaps between how it currently functions and is designed and the desired capabilities. This gap analysis identifies current problems the design intervention should address. It provides information for determining which design elements will receive the most attention and the likely magnitude and time frame of the design process.

2. **Designing the organization.** This key step in organization design involves configuring the design components to support the organization's strategy and objectives. It starts with a broad outline of how the organization should be structured and how the design components should fit together to form a particular design usually falling somewhere along the continuum from mechanistic to organic. Senior executives responsible for the overall direction of the organization typically design this overarching structure. Next, the design process addresses the specific details of the components, which involves generating alternatives and making specific design choices. A broader set of organizational members often participates in these decisions, relying on its own as well as experts' experience and know-how, knowledge of best practices, and information gained from visits to other organizations willing to share design experience. This stage results in an overall design for the organization, detailed designs for the components, and preliminary plans for how they will fit together and be implemented.
3. **Implementing the design.** The final step involves making the new design happen by putting into place the new structures, practices, and systems. It draws heavily on the methods for leading and managing change discussed in Chapter 10 and applies them to the entire organization or subunit, and not just limited parts. Because organization design generally involves large amounts of transformational change, this intervention can place heavy demands on the organization's resources and leadership expertise. Members from throughout the organization must be motivated to implement the new design; all relevant stakeholders must support it politically. Organization designs usually cannot be implemented in one step but must proceed in phases that involve considerable transition management. They often entail significant new work behaviors and relationships that require extensive and continuous organization learning.

Application 20.2 describes organization design at Deere & Company.[46] It illustrates how the different design elements must fit together and reinforce each other to promote a high-performance organization.

CULTURE CHANGE

The topic of organization culture is becoming a very important one to companies, and the number of culture change interventions has grown accordingly. Organization culture is also the focus of growing research and OD application and has spawned a number of best-selling management books starting with *Theory Z, The Art of Japanese Management*, and *In Search of Excellence* and, more recently, *Built to Last* and *Corporate Culture and Performance*.[47] Organization culture is seen as a major strength of such companies as Herman Miller, Intel, PepsiCo, Motorola, Hewlett-Packard, Southwest Airlines, and Levi Strauss. A growing number of managers appreciate the power of corporate culture in shaping employee beliefs and actions. A well-conceived and well-managed organization culture, closely linked to an effective business strategy, can mean the difference between success and failure in today's demanding environments.

Organization Design at Deere & Company

Deere & Company, one of the world's leading producers of agricultural, construction, forestry, and turf care equipment, has a rich history of dedicated employees, quality products, and loyal customers. When Robert W. Lane, an 18-year veteran of Deere, became Chairman and CEO in August of 2000, however, economic and organizational problems were threatening this tradition. The company's operations were capital intensive, extremely decentralized, and spread across a diversity of products with highly cyclical business cycles. This meant that overall company profitability required constant vigilance and comparison of profit margins across products with an eye to reducing cyclical swings and to optimizing the whole business and not just a particular business unit. Unfortunately, Deere focused too loosely on managing assets and profit margins and was too decentralized to do business this way, often wasting economic value. Lane described the firm as "asset heavy and margin lean." Moreover, Deere was having problems keeping pace with a rapidly changing and demanding global business environment.

With the support of a unified senior team, Lane immediately created a plan to manage assets more efficiently, to make a new generation of products geared to emerging market demands, and to reduce the firm's vulnerability to cyclical swings and uncertain agriculture and construction markets which together accounted for about 70% of Deere's sales. To make the plan work over the next several months, Lane made a number of related changes in the company's management and information systems, structure, and human resources practices.

Deere's redesign effort started with a simple yet powerful approach to measuring firm performance: shareholder value added (SVA), which is net operating profit after taxes minus cost of capital. Because this value-based metric is straightforward and intuitive, it was easily understood and embraced by operating people throughout the firm. SVA became the central tool for managing the company's business. It provided a common performance measure that could be applied to every product; it addressed the fundamental question, What value does this product add to Deere's shareholders?

Consistent with this new performance measure, Deere restructured its largest division, agriculture, into two business units: worldwide harvesting and tractors/implements. This enabled each new unit to focus more diligently on the underlying economics of its products. It also provided for a far more integrated business than the previous structure allowed. Thus, for example, worldwide harvesting could now get its combine harvester factories in Asia, Europe, and North America to all work together as one global product team with common metrics. It could also do the same for its factories that made cotton pickers and so on.

Next, Lane introduced an online performance management system to align goals and rewards with SVA. All 18,000 salaried employees now had to develop goals that were explicitly linked to the firm's goals. Specific SVA targets were set for each product line at various points in the business cycle. High expectations for improvements in operating performance and SVA growth were set and widely communicated. Then, rewards were tied directly to progress on meeting those objectives. The simplicity and consistency of this system focused employee behaviors on the economics of the business and reinforced the need to continuously improve performance and raise SVA.

Finally, Lane made significant changes in Deere's talent mix to better meet the higher performance standards and the increasing demands of global competition. Employee selection and training practices were oriented to acquiring and developing a workforce with a strong customer orientation and collaborative skills. Employees needed to understand customer needs fully so they could respond with appropriate technological solutions and product innovations. They needed to be able to work together in teams on a worldwide basis.

Six years into Deere's organization redesign, financial results were remarkable. In contrast to 2003, the firm's 2006 net income more than doubled and revenues were up almost 50%. In 2006, SVA was near $1 billion. Perhaps more important, Deere's culture had shifted from mainly family values to those promoting a high-performance organization.

Concept of Organization Culture

Despite the increased attention and research devoted to corporate culture, there is still some confusion about what the term "culture" really means when applied to organizations.[48] Martin argues that culture can be viewed from an integrated, a differentiated, or a fragmented perspective.[49] The integrated view focuses on culture as an organizationally shared phenomenon; it represents a stable and coherent set of beliefs about the organization and its environment. In contrast to the integrated perspective, the differentiated view argues that culture is not monolithic but that it is best seen in terms of subcultures that exist throughout the organization. While each subculture is locally stable and shared, there is much that is different across the subcultures. Finally, the fragmented view holds that culture is always changing and is dominated by ambiguity and paradox. Summarizing an organization's culture from a fragmented viewpoint is somewhat meaningless.

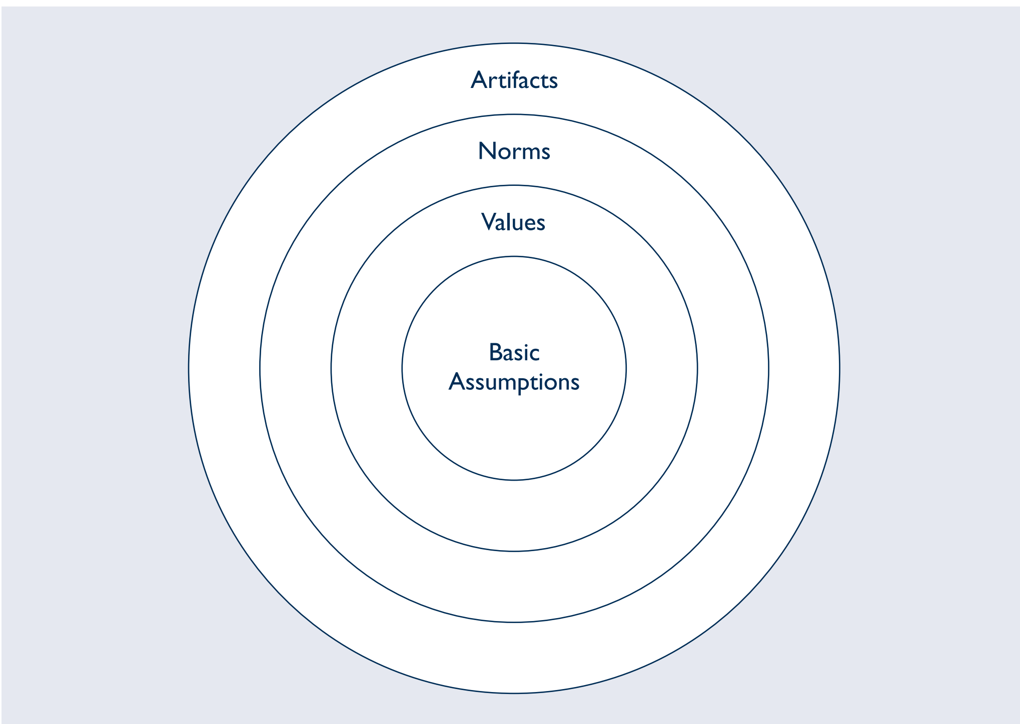
Despite these different cultural views, there is some agreement about the elements or features of culture that are typically measured. They include the artifacts, norms, values, and basic assumptions that are more or less shared by organization members. The meanings attached to these elements help members make sense out of everyday life in the organization. The meanings signal how work is to be done and evaluated, and how employees are to relate to each other and to significant others, such as customers, suppliers, and government agencies.

As shown in Figure 20.3, organization culture includes four major elements existing at different levels of awareness:[50]

1. **Artifacts.** Artifacts are the highest level of cultural manifestation. They are the visible symbols of the deeper levels of culture, such as norms, values, and basic

[Figure 20.3]

Levels of Corporate Culture



assumptions. Artifacts include members' behaviors, clothing, and language; and the organization's structures, systems, procedures, and physical aspects, such as décor, space arrangements, and noise levels. At Nordstrom, a high-end retail department store, the policy and procedure manual is rumored to be one sentence, "Do whatever you think is right." In addition, stores promote from within; pay commissions on sales to link effort and compensation; provide stationery for salespeople to write personal notes to customers; and expect buyers to work as salespeople to better understand the customer's expectations. By themselves, artifacts can provide a great deal of information about the real culture of the organization because they often represent the deeper assumptions. The difficulty in their use during cultural analysis is interpretation; an outsider (and even some insiders) has no way of knowing what the artifacts represent, if anything.

2. **Norms.** Just below the surface of cultural awareness are norms guiding how members should behave in particular situations. These represent unwritten rules of behavior. Norms generally are inferred from observing how members behave and interact with each other. At Nordstrom, norms dictate that it's okay for members to go the extra mile to satisfy customer requests, and it's not okay for salespeople to process customers who were working with another salesperson.
3. **Values.** The next-deeper level of awareness includes values about what ought to be in organizations. Values tell members what is important in the organization and what deserves their attention. Because Nordstrom values customer service, the sales representatives pay strong attention to how well the customer is treated. Obviously, this value is supported by the norms and artifacts.
4. **Basic assumptions.** At the deepest level of cultural awareness are the taken-for-granted assumptions about how organizational problems should be solved. These basic assumptions tell members how to perceive, think, and feel about things. They are nonconfrontable and nondebatable assumptions about relating to the environment and about human nature, human activity, and human relationships. For example, a basic assumption at Nordstrom is the belief in the fundamental dignity of people; it is morally right to treat customers with extraordinary service so that they will become loyal and frequent shoppers.

In summary, culture is defined as the pattern of artifacts, norms, values, and basic assumptions about how to solve problems that works well enough to be taught to others.[51] Culture is a process of social learning; it is the outcome of prior choices about and experiences with strategy and organization design. It is also a foundation for change that can either facilitate or hinder organization transformation. For example, the cultures of many companies (e.g., IBM, JCPenney, Sony, Disney, Microsoft, and Hewlett-Packard) are deeply rooted in the firm's history. They were laid down by strong founders and have been reinforced by top executives and corporate success into customary ways of perceiving and acting. These customs provide organization members with clear and often widely shared answers to such practical issues as "what really matters around here," "how do we do things around here," and "what we do when a problem arises."

Organization Culture and Organization Effectiveness

The interest in organization culture derives largely from its presumed impact on organization effectiveness. Considerable speculation and increasing research suggest that organization culture has both direct and indirect relationships with effectiveness.

Indirectly, culture affects performance through its influence on the organization's ability to implement change. A particular pattern of values and assumptions that once was a source of strength for a company can become a major liability in successfully implementing a new strategy.[52] Case studies of organization transformation are full of

accounts where the change failed because the culture did not support the new strategy, including AT&T's failed integration of NCR, Daimler-Benz's troubles with Chrysler, and Prudential Insurance's difficulties in diversifying into other financial services.

The growing appreciation that culture can play a significant role in implementing new strategy has fueled interest in the topic, especially in those firms needing to adapt to turbulent environments. A number of practitioners and academics have focused on helping firms implement new strategies by bringing culture more in line with the new direction.[53] Indeed, much of the emphasis in the 1970s on formulating business strategy shifted to organization culture in the 1980s as firms discovered cultural roadblocks to implementing a strategy. Along with this emerging focus on organization culture, however, came the sobering reality that cultural change is an extremely difficult and long-term process. Some experts doubt whether large firms actually can bring about fundamental changes in their cultures; those who have accomplished such feats estimate that the process takes from 6 to 15 years.[54] For example, Alberto-Culver's performance in its core business was suffering, and senior management, with the help of an employee opinion survey, realized that the culture was not aligned with the changing business needs. Beginning with the commitment of influential top managers, a management restructuring, explicit values, and new roles and practices, Alberto-Culver began a culture change intervention that took over seven years. Its efforts have been rewarded with increased sales and pretax profit growth.[55]

Indirectly, culture can also affect performance through its influence on a firm's ability to operate in different countries. Multinationals may face problems doing business in other countries, especially when their corporate culture does not fit with the national culture. For example, Disney learned this lesson the hard way when it tried to export its Americanized service culture to Euro Disney outside of Paris. Its European employees were disgruntled with the strict dress and grooming code; customers who were accustomed to having wine with their meals balked at Disney's policy of not serving alcoholic beverages. This cultural mismatch resulted in serious labor problems and lower guest attendance than expected.[56] Four Seasons Hotel and Resorts, on the other hand, made a relatively smooth transition into the French market by keeping its core service values while modifying its norms, procedures, and artifacts to fit with the French culture.[57]

Directly, evidence suggests that, in addition to affecting the implementation of business strategy, corporate culture can affect organization performance. Comparative studies of Japanese and American management methods suggest that the relative success of Japanese companies in the 1980s could be partly explained by their strong corporate cultures emphasizing employee participation, open communication, security, and equality.[58] A study of the productivity of university research departments in the UK showed a strong relationship between productivity and organization cultures emphasizing teamwork, information flow, and employee involvement.[59] Another study of American firms showed a similar pattern of results.[60] Using survey measures of culture and Standard & Poor's financial ratios as indicators of organizational effectiveness, the results showed that firms whose cultures support employee participation in decision making, adaptable work methods, sensible work designs, and reasonable and clear goals perform significantly higher (financial ratios about twice as high) than do companies scoring low on those factors. Moreover, the employee participation element of corporate culture showed differences in effectiveness among the firms only after three years; the other measures of culture showed differences in all five years. This suggests that changing some parts of corporate culture, such as participation, should be considered as a long-term investment.

Another study of 207 firms in 22 different industries examined relationships between financial performance and the strength of a culture, the strategic appropriateness of a culture, and the adaptiveness of a culture.[61] First, there were no significant performance differences between organizations with widely shared values and those

with little agreement around cultural assumptions. Second, there was a significant relationship between culture and performance when the organization emphasized the "right" values—values that were critical to success in a particular industry. Finally, performance results over time supported cultures that emphasized anticipating and adapting to environmental change.

These findings suggest that the strength of an organization's culture can be both an advantage and a disadvantage. Under stable conditions, widely shared and strategically appropriate values can contribute significantly to organization performance. However, if the environment is changing, strong cultures can be a liability. Unless they also emphasize adaptiveness, the organization may experience wide swings in performance during transformational change. This line of thought was recently given empirical support.[62] In a study of over 150 large, publicly traded companies from 19 industries, organizations with strong cultures had more reliable performance outcomes—that is, the strength of the culture was related to the predictability of performance. However, when the environment was more uncertain and dynamic, this reliability faded. In stable environments, strong cultures can provide efficiency in decision making and operations. In volatile environments, the strength of the culture can become a weakness if it stunts creativity. Organizations with strong cultures are less able to exploit new environmental opportunities, unless of course, the culture emphasizes innovation and change.

Diagnosing Organization Culture

Culture change interventions generally start by diagnosing the organization's existing culture to assess its fit with current or proposed business strategies. This requires uncovering and understanding the shared assumptions, values, norms, and artifacts that characterize an organization's culture. OD practitioners have developed a number of useful approaches for diagnosing organization culture. These approaches fall into three different yet complementary perspectives: the behavioral approach, the competing values approach, and the deep assumption approach. Each diagnostic perspective focuses on particular aspects of organization culture, and together the approaches can provide a comprehensive assessment of these complex phenomena.

The Behavioral Approach

This method of diagnosis emphasizes the surface level of organization culture—the pattern of behaviors that produce business results.[63] It is among the more practical approaches to culture diagnosis because it assesses key work behaviors that can be observed.[64] The behavioral approach provides specific descriptions about how tasks are performed and how relationships are managed in an organization. For example, Table 20.2 summarizes the organization culture of an international banking division as perceived by its managers. In this classic case, the data were obtained from a series of individual and group interviews asking managers to describe "the way the game is played," as if they were coaching a new organization member. Managers were asked to give their impressions in regard to four key relationships—companywide, boss–subordinate, peer, and interdepartment—and in terms of six managerial tasks—innovating, decision making, communicating, organizing, monitoring, and appraising/rewarding. These perceptions revealed a number of implicit norms for how tasks are performed and relationships managed at the division.

Cultural diagnosis derived from a behavioral approach can also be used to assess the cultural risk of trying to implement organizational changes needed to support a new strategy. Significant cultural risks result when changes that are highly important to implementing a new strategy are incompatible with the existing patterns of behavior.

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Knowledge of such risks can help managers determine whether implementation plans should be changed to manage around the existing culture, whether the culture should be changed, or whether the strategy itself should be modified or abandoned.

The Competing Values Approach

This perspective assesses an organization's culture in terms of how it resolves a set of value dilemmas.[65] The approach suggests that an organization's culture can be understood in terms of two important "value pairs"; each pair consists of contradictory values placed at opposite ends of a continuum, as shown in Figure 20.3. The two value pairs are (1) internal focus and integration versus external focus and differentiation and (2) flexibility and discretion versus stability and control. Organizations continually struggle to satisfy the conflicting demands placed on them by these competing values. For example, when faced with the competing values of internal versus external focus, organizations must choose between attending to the integration problems of internal

operations and the competitive issues in the external environment. Too much emphasis on the environment can result in neglect of internal efficiencies. Conversely, too much attention to the internal aspects of organizations can result in missing important changes in the competitive environment.

The competing values approach commonly collects diagnostic data about the competing values with a survey designed specifically for that purpose.[66] It provides measures of where an organization's existing values fall along each of the dimensions. When taken together, these data identify an organization's culture as falling into one of the four quadrants shown in Figure 20.3: clan culture, adhocracy culture, hierarchical culture, and market culture. For example, if an organization's values are focused on internal integration issues and emphasize innovation and flexibility, it manifests a clan culture. On the other hand, a market culture characterizes values that are externally focused and emphasizes stability and control.

The Deep Assumptions Approach

This final diagnostic approach emphasizes the deepest levels of organization culture—the generally unexamined, but tacit and shared assumptions that guide member behavior and that often have a powerful impact on organization effectiveness. Diagnosing culture from this perspective typically begins with the most tangible level of awareness and then works down to the deep assumptions.

Diagnosing organization culture at the deep assumptions level poses at least three difficult problems for collecting pertinent information.[67] First, culture reflects the more or less shared assumptions about what is important, how things are done, and how people should behave in organizations. People generally take cultural assumptions for granted and rarely speak of them directly. Rather, the company's culture is implied in concrete behavioral examples, such as daily routines, stories, rituals, and language. This means that considerable time and effort must be spent observing, sifting through, and asking people about these cultural outcroppings to understand their deeper significance for organization members. Second, some values and beliefs that people espouse have little to do with the ones they really hold and follow. People are reluctant to admit this discrepancy, yet somehow the real assumptions underlying idealized portrayals of culture must be discovered. Third, large, diverse organizations are likely to have several subcultures, including countercultures going against the grain of the wider organization culture. Assumptions may not be shared widely and may differ across groups in the organization. This means that focusing on limited parts of the organization or on a few select individuals may provide a distorted view of the organization's culture and subcultures. All relevant groups in the organization must be identified and their cultural assumptions sampled. Only then can practitioners judge the extent to which assumptions are shared widely.

OD practitioners emphasizing the deep assumptions approach have developed a number of useful techniques for assessing organization culture.[68] One method involves an iterative interviewing process involving both outsiders and insiders.[69] Outsiders help members uncover cultural elements through joint exploration. The outsider enters the organization and experiences surprises and puzzles that are different from what was expected. The outsider shares these observations with insiders, and the two parties jointly explore their meaning. This process involves several iterations of experiencing surprises, checking for meaning, and formulating hypotheses about the culture. It results in a formal written description of the assumptions underlying an organizational culture.

A second method for identifying the organization's basic assumptions brings together a group of people for a culture workshop—for example, a senior management team or a cross section of managers, old and new members, labor leaders, and

staff.[70] The group first brainstorms a large number of the organization's artifacts, such as behaviors, symbols, language, and physical space arrangements. From this list, the values and norms that would produce such artifacts are deduced. In addition, the values espoused in formal planning documents are listed. Finally, the group attempts to identify the assumptions that would explain the constellation of values, norms, and artifacts. Because basic assumptions generally are taken for granted, they are difficult to articulate. A great deal of process consultation skill is required to help organization members see the underlying assumptions.

Application Stages There is considerable debate over whether changing something as deep-seated as organization culture is possible.[71] Those advocating culture change generally focus on the more surface elements of culture, such as norms and artifacts. These elements are more changeable than the deeper elements of values and basic assumptions. They offer OD practitioners a more manageable set of action levers for changing organizational behaviors. Some would argue, however, that unless the deeper values and assumptions are changed, organizations have not really changed their culture.

Those arguing that implementing culture change is extremely difficult, if not impossible, typically focus on the deeper elements of culture (values and basic assumptions). Because these deeper elements represent assumptions about organizational life, members do not question them and have a difficult time envisioning anything else. Moreover, members may not want to change their cultural assumptions. The culture provides a strong defense against external uncertainties and threats.[72] It represents past solutions to difficult problems. Members also may have vested interests in maintaining the culture. They may have developed personal stakes, pride, and power in the culture and may strongly resist attempts to change it. Finally, cultures that provide firms with a competitive advantage may be difficult to imitate, thus making it hard for less successful firms to change their cultures to approximate the more successful ones.[73]

Given the problems with cultural change, most practitioners in this area suggest that changes in corporate culture should be considered only after other, less difficult and less costly solutions have been applied or ruled out.[74] Attempts to overcome cultural risks when strategic changes are incompatible with the existing culture might include ways to manage around that culture. Consider, for example, a single-product organization with a functional focus and a history of centralized control that is considering an ambitious product-diversification strategy. The firm might manage around its existing culture by using business teams to coordinate functional specialists around each new product. Another alternative to changing culture is to modify strategy to bring it more in line with culture. The single-product organization just mentioned might decide to undertake a less ambitious strategy of product diversification.

Despite problems in changing corporate culture, large-scale cultural change may be necessary in certain situations: if the firm's culture does not fit a changing environment; if the industry is extremely competitive and changes rapidly; if the company is mediocre or worse; if the firm is about to become a very large company; or if the company is smaller and growing rapidly.[75] Organizations facing these conditions need to change their cultures to adapt to the situation or to operate at higher levels of effectiveness. They may have to supplement attempts at cultural change with other approaches, such as managing around the existing culture and modifying strategy.

Although knowledge about changing corporate culture is in a formative stage, the following practical advice can serve as guidelines for cultural change:[76]

1. ***Formulate a Clear Strategic Vision.*** Effective cultural change should start from a clear vision of the firm's new strategy and of the shared values and behaviors needed to make it work.[77] This vision provides the purpose and direction for cultural change. It

serves as a yardstick for defining the firm's existing culture and for deciding whether proposed changes are consistent with the core values of the organization. A useful approach to providing clear strategic vision is development of a statement of corporate purpose, listing in straightforward terms the firm's core values. For example, Johnson & Johnson calls its guiding principles "Our Credo." It describes several basic values that guide the firm, including, "We believe our first responsibility is to the doctors, nurses and patients, to mothers and all others who use our products and services"; "Our suppliers and distributors must have an opportunity to make a fair profit"; "We must respect [employees'] dignity and recognize their merit"; and "We must maintain in good order the property we are privileged to use, protecting the environment and natural resources."[78]

2. ***Display Top-Management Commitment.*** Cultural change must be managed from the top of the organization. Senior executives and administrators have to be strongly committed to the new values and need to create constant pressures for change. They must have the staying power to see the changes through.[79] For example, when Jack Welch was CEO at General Electric, he enthusiastically pushed a policy of cost cutting, improved productivity, customer focus, and bureaucracy busting for more than ten years to every plant, division, group, and sector in his organization. His efforts were rewarded with a *Fortune* cover story lauding his organization for creating more than $52 billion in shareholder value during his tenure.[80]
3. ***Model Culture Change at the Highest Levels.*** Senior executives must communicate the new culture through their own actions. Their behaviors need to symbolize the kinds of values and behaviors being sought. In the few publicized cases of successful culture change, corporate leaders have shown an almost missionary zeal for the new values; their actions have symbolized the values forcefully.[81] For example, when the Four Seasons hotel chain agreed to operate the George V hotel in Paris, it not only remodeled the hotel; it had to implement a culture consistent with its corporate brand and strategy, which were both "North American" in nature. Didier Le Calvez, General Manager of the Four Seasons George V, made a number of controversial decisions, including agreeing to the 35-hour work week, hiring an executive chef, and implementing a performance appraisal process. The nature of these decisions symbolized his understanding of French culture on the one hand and the importance of the Four Seasons's standards on the other. In addition, Le Calvez was very visible on the property, meeting the French union officials for lunch, finding constructive ways to correct behavior in line with the Four Seasons's service expectations, and participating in the interview and selection of all employees.[82]
4. ***Modify the Organization to Support Organizational Change.*** Cultural change generally requires supporting modifications in organization structure, human resources systems, information and control systems, and management styles. These organizational features can help to orient people's behaviors to the new culture.[83] They can make people aware of the behaviors required to get things done in the new culture and can encourage performance of those behaviors. For example, Carol Lavin Bernick, President of Alberto-Culver North America, created the "growth development leader" or GDL to support the cultural imperatives of honesty, ownership, trust, commitment, and teamwork. Each of the 70 GDLs mentors about a dozen key people in the organization to ensure they create and follow through on their "individual economic value-add" (IEV) statements. In turn, Ms. Bernick meets with the GDLs every six weeks to symbolize the importance of their work.[84]
5. ***Select and Socialize Newcomers and Terminate Deviants.*** One of the most effective methods for changing corporate culture is to change organizational membership. People can be selected and terminated in terms of their fit with the new culture.

This is especially important in key leadership positions, where people's actions can significantly promote or hinder new values and behaviors. For example, Gould, in trying to change from an auto parts and battery company to a leader in electronics, replaced about two-thirds of its senior executives with people more in tune with the new strategy and culture. Jan Carlzon of Scandinavian Airlines (SAS) replaced 13 out of 15 top executives in his turnaround of the airline. Another approach is to socialize newly hired people into the new culture. People are most open to organizational influences during the entry stage, when they can be effectively indoctrinated into the culture. For example, companies with strong cultures like Samsung, Procter & Gamble, and 3M attach great importance to socializing new members into the company's values.

6. ***Develop Ethical and Legal Sensitivity.*** Cultural change can raise significant tensions between organization and individual interests, resulting in ethical and legal problems for practitioners. This is particularly pertinent when organizations are trying to implement cultural values promoting employee integrity, control, equitable treatment, and job security—values often included in cultural change efforts. Statements about such values provide employees with certain expectations about their rights and about how they will be treated in the organization. The organization needs to follow through with behaviors and procedures supporting and protecting these implied rights, or risk violating ethical principles and, in some cases, legal employment contracts. Recommendations for reducing the chances of such ethical and legal problems include setting realistic values for culture change and not promising what the organization cannot deliver; encouraging input from throughout the organization in setting cultural values; providing mechanisms for member dissent and diversity, such as internal review procedures; and educating managers about the legal and ethical pitfalls inherent in cultural change and helping them develop guidelines for resolving such issues.

Application 20.3 presents an example of culture change at IBM. It illustrates how important cultural principles are used to shape behavior during a period of organizational growth and how culture can be used to facilitate merger and acquisition integration processes.[85]

SUMMARY

In this chapter, we presented interventions for helping organizations transform themselves. These changes can occur at any level in the organization, but their ultimate intent is to change the total system. They typically happen in response to or in anticipation of significant environmental, technological, or internal changes. These changes may involve alterations in the firm's strategy, which, in turn, may lead to changing its design and culture.

Integrated strategic change is a comprehensive intervention for responding to complex and uncertain environmental pressures. It gives equal weight to the strategic and organizational factors affecting organization performance and effectiveness. In addition, these factors are highly integrated during the process of assessing the current strategy and organization design, selecting the desired strategic orientation, developing a strategic change plan, and implementing it.

Organization design involves the organization's structure, work design, human resources practices, and management and information systems. It aligns these components with the organization's strategy and with each other so they mutually direct behavior to execute the strategy. This results in organization designs that vary along a

continuum form mechanistic to organic depending on the requirements of the firm's strategy. Organization design typically starts with assessing the organization to clarify the design focus. Then the design components are configured to support the organization's strategy. Finally, implementation involves putting the new structures, practices, and systems into place using many of the methods for leading and managing change described in Chapter 10.

Organization culture includes the pattern of basic assumptions, values, norms, and artifacts shared by organization members. It influences how members perceive, think, and behave at work. Culture affects whether firms can implement new strategies and whether they can operate at high levels of excellence. Culture change interventions start with diagnosing the organization's existing culture. This can include assessing the cultural risks of making organizational changes needed to implement strategy. Changing corporate culture can be extremely difficult and requires clear strategic vision, top-management commitment, symbolic leadership, supporting organizational changes, selection and socialization of newcomers and termination of deviants, and sensitivity to legal and ethical issues.

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Culture Change at IBM

IBM began in 1914 as a maker of cheese slicers, scales, and tabulating machines. Thomas Watson, its founder who became famous for the "Think" watchword, created the company on three values called "Basic Beliefs:" "respect for the individual," "the best customer service," and "the pursuit of excellence." Based on these values, IBM grew into one of the great industrial giants of the world, routinely hailed as a "best managed company."

By the late 1980s and the early 1990s, however, IBM's enormous success had an unintended consequence. The firm became complacent; its basic beliefs provided a rationale for stability. "Respect for the individual" had morphed into an entitlement mentality where lifetime employment was reinforced by cultural norms. The "pursuit of excellence" gave way to corporate arrogance and a failure to listen to customers or the marketplace because IBM knew what was right. Finally, its devotion to large, centralized computer systems rather than PC-based distributed architectures led to its downfall. IBM's stock price dropped 75% between August 1987 and September 1993.

To turn things around, IBM appointed Lou Gerstner CEO in 1991. When asked how he would lead IBM, this former GE executive retorted: "The last thing IBM needs right now is a vision." Over the next few years, Gerstner cut IBM's workforce in half, abolished lifetime employment, and refocused business strategy from hardware to software and services. The spectacular success that followed is regarded as one of the great turnarounds in business history.

So what would you do as the CEO who followed Gerstner? Sam Palmisano, a lifetime IBM employee, was appointed CEO in 2002. He strongly felt that IBM's continued success depended on relaying its foundation. "We couldn't be casual about tinkering with the DNA of a company like IBM. We had to come up with a way to get the employees to create the value system, to determine the company's principles. Watson's Basic Beliefs, however distorted they might have become over the years, had to be the starting point."

To clarify and shift IBM's culture, Palmisano orchestrated a process that began with the corporation's top 300 executives. Together, they generated the basic categories for the new values, including respect, customer, excellence, and innovation. These categories were tested in focus groups and broad surveys with more than 1,000 employees across levels, locations, and functions. Based on this input, three proposed values—commitment to the customer, excellence through innovation, and integrity that earns trust—were submitted to "ValuesJam," a 72-hour process where all employees at IBM were invited to comment on the proposed values via IBM's intranet. ValuesJam organized employee discussion around four forums. A company values forum asked general questions about the importance of values. A "first draft" discussion asked for reactions to the three proposed values. A third forum asked about IMB's value in society, and a fourth asked people to describe IBM when it was at its best. Including Palmisano, 50,000 employees made over 10,000 comments about the company's culture and identity. The following were some early-on comments:

- "The only value in IBM today is the stock price."
- "Company values (ya right)."
- "I feel we talk a lot about trust and taking risks, but at the same time, we have endless audits, mistakes are punished and not seen as a welcome part of learning, and managers (and others) are consistently checked."
- "There appears to be great reluctance among our junior executive community to challenge the view of our senior execs."
- "Many times I have heard expressions like 'would you tell Sam that his strategy is wrong?'"

However, after initial feedback about why things weren't working or wouldn't work, the debate turned more positive. Eventually, a small design team took all the comments, looked for themes, and revised the proposed values into "dedication to every client's success," "innovation that matters—for our company and for the world," and "trust and personal responsibility in all relationships." Palmisano announced them in November 2003. The feedback, in the form of postings on the intranet and more than a thousand emails sent directly to Palmisano, was "these are fine … show me."

In the final stage of the culture intervention, Palmisano sponsored a series of change projects to demonstrate how the values would be used to make

decisions and manage the company. One project was dubbed, the "$100 million bet on trust." It was in response to a story that Palmisano heard about an IBM employee prototyping software for a client in Tokyo who immediately needed a software engineer based in Austin to help configure a server. The employee couldn't get the help right away because a charge code was first needed so there would be a way to account for the software engineer's time. In effect, employees were unable to respond quickly to client needs because financial control processes required several levels of management approval. Although the money would usually be approved, it was often too late to be responsive. To address these issues, the $100 million bet on trust gave each manger in a pilot group up to $5,000 annually to spend, no questions asked, to respond to extraordinary situations that would help generate business, to develop client relationships, or to respond to an IBMer's emergency need. Subsequent evaluation showed that the money was being spent wisely. There were several examples of teams winning deals and delighting clients with a small amount of immediately available cash. Consequently, the program was extended to all 22,000 first-line managers. Palmisano was convinced that allowing line managers to take some reasonable risk and trusting them with those decisions would pay off. More importantly, the program symbolized living the IBM values.

Another important change to reflect the values better involved setting prices. ValuesJam surfaced many stories about the difficulty of pricing a customer solution that involved a variety of products and services from multiple IBM groups. Since each brand and business unit had its own P&L, an across-IBM bid was usually pulled apart by each unit and run through the financial accounting system as separate bids for individual products and services. This made it extremely difficult to come up with an all-inclusive price, which ran counter to IBM's value of client success and the strategy of being able to offer a total solution—hardware, software, services, and financing. In one classic case, IBM's CFO was putting together a deal for his partnership account that involved hardware, software, and services. He was told by the finance function that he couldn't price it as an integrated solution. In other words, IBM's CFO was told he couldn't offer the deal he was proposing!

In response, IBM developed an integrated bid system to better reflect its values. All of the people who set prices for clients were brought together and told, "You work for IBM. When there's a cross-IBM bid with multiple products, you price it on the IBM income statement, not on the income statements of each product." This led to a series of intense meetings with senior executives about allocating integrated bids to business-unit P&Ls. IBM made it work because it was the right thing to do in aligning the organization to its values.

The IBM culture change was led by senior executives and involved the whole organization in discussing and debating the firm's values and identity. There was remarkable agreement on what the values should be. The debate, as it turned out, wasn't over the values themselves but on whether IBM would be willing and able to live with them. To make this happen, specific organization changes were made that symbolized the values in use.

21

Continuous Change

This chapter describes interventions that enable organizations to change themselves continually. These change processes are relatively new to OD and are still being developed and refined. They are aimed at the growing number of organizations facing highly turbulent environments, such as firms in high-technology, entertainment, and biotechnology industries, where timing is critical, technological change is rapid, and competitive pressures are unrelenting and difficult to predict. In these situations, standard sources of competitive advantage—strategy, organization design, and core competencies—erode quickly and provide only temporary advantage. What is needed are *dynamic capabilities*[1] built into the organization that enable it to renew forms of competitive advantage constantly to adapt to a rapidly shifting environment.

Continuous change interventions extend transformational change into a nonstop process of strategy setting, organization designing, and implementing the change.[2] Rather than focus on creating and implementing a particular strategy and organization design, continuous change addresses the underlying structures, processes, and activities for generating new forms of competitive advantage. Thus, the focus is on learning, changing, and adapting—on how to produce a constant flow of new strategies and designs and not just on how to transform existing ones.

Self-designing organizations have the capability to alter themselves fundamentally and continuously. Creating them is a highly participative process in which multiple stakeholders set strategic direction, design appropriate structures and processes, and implement them. This intervention includes considerable innovation and learning as organizations gain the capacity to design and implement significant changes continually.

Learning organizations are those with the ability to learn how to change and improve themselves constantly. Distinct from individual learning, this intervention helps organizations move beyond solving existing problems to gain the capability to improve constantly. It results in the development of a learning organization where empowered members take responsibility for changing the organization and learning how to do this better and better.

Built-to-change organizations include design elements and managerial practices that are all geared for change not just normal operations. This intervention provides design and implementation guidelines for building change capability into the structures, processes, and behaviors of the organization so that it can respond continually to a rapidly changing environment.

SELF-DESIGNING ORGANIZATIONS

A growing number of researchers and practitioners have called for self-designing organizations that have the built-in capacity to transform themselves continually to achieve high performance in today's competitive and changing environments.[3] Mohrman and Cummings have developed a self-design change strategy that involves an ongoing series of designing and implementing activities carried out by managers and employees at all levels of the firm.[4] The approach helps members translate corporate values and general prescriptions for change into specific structures, processes, and behaviors suited

to their situations. It enables them to tailor changes to fit the organization and helps them continually adapt the organization to changing conditions.

The Demands of Adaptive Change

Mohrman and Cummings developed the self-design strategy in response to a number of demands facing organizations having to adapt to turbulent environments. These demands strongly suggest the need for self-design, in contrast to more traditional approaches to organization change that emphasize ready-made programs and see change as a periodic event. Although organizations prefer the control and certainty inherent in traditional change, the five requirements for adaptive change reviewed below argue against this strategy:

1. Adaptive change generally involves altering most features of the organization and achieving a fit among them and with the firm's strategy. This suggests the need for a systemic change process that accounts for these multiple features and relationships.[5]
2. Adaptive change generally occurs in situations experiencing rapid change and uncertainty. This means that changing is never totally finished, as new structures and processes will continually have to be modified to fit changing conditions. Thus, the change process needs to be dynamic and iterative, with organizations continually changing themselves.[6]
3. Current knowledge about adaptive change provides only general prescriptions for change. Organizations need to learn how to translate that information into specific structures, processes, and behaviors appropriate to their situations. This generally requires considerable on-site innovation and learning as members learn by doing—trying out new structures and behaviors, assessing their effectiveness, and modifying them if necessary. Thus, adaptive change calls for constant organizational learning.[7]
4. Adaptive change invariably affects many organization stakeholders, including owners, managers, employees, and customers. These different stakeholders are likely to have different goals and interests related to the change process. Unless the differences are revealed and reconciled, enthusiastic support for change may be difficult to achieve. Consequently, the change process must attend to the interests of multiple stakeholders.[8]
5. Adaptive change needs to occur at multiple levels of the organization if new strategies are to result in changed behaviors throughout the firm. Top executives must formulate a corporate strategy and clarify a vision of what the organization needs to look like to support it. Middle and lower levels of the organization need to put those broad parameters into operation by creating structures, procedures, and behaviors to implement the strategy.[9]

Application Stages

The self-design strategy accounts for these demands of adaptive change. It focuses on all features of the organization (for example, structure, human resources practices, and technology) and designs them to support the business strategy. It is a dynamic and an iterative process aimed at providing organizations with the built-in capacity to change and redesign themselves continually as the circumstances demand. The approach promotes organizational learning among multiple stakeholders at all levels of the firm, providing them with the knowledge and skills needed to transform the organization and continually improve it.

Figure 21.1 outlines the self-design approach. Although the process is described in three stages, in practice the stages merge and interact iteratively over time. Each stage is described below:

1. ***Laying the Foundation.*** This initial stage provides organization members with the basic knowledge and information needed to get started with adaptive change. It involves three kinds of activities. The first is acquiring knowledge about how organizations function, about organizing principles for achieving high performance, and about the self-design process. This information is generally gained through reading relevant material, attending in-house workshops, and visiting other organizations that successfully have adapted themselves. This learning typically starts with senior executives or with those managing the change process and cascades to lower organizational levels if a decision is made to proceed with self-design. The second activity in laying the foundation involves valuing—determining the corporate values that will guide the change process. These values represent those performance outcomes and organizational conditions that will be needed to implement the corporate strategy. They are typically written in a values statement that is discussed and negotiated among multiple stakeholders at all levels of the organization. The third activity is diagnosing the current organization to determine what needs to be changed to enact the corporate strategy and values. Organization members generally assess the different features of the organization, including its performance. They look for incongruities between its functioning and its valued performances and conditions. In the case of an entirely new organization, members diagnose constraints and contingencies in the situation that need to be taken into account in designing the organization.
2. ***Designing.*** In this second stage of self-design, organization designs and innovations are generated to support corporate strategy and values. Only the broad parameters of a new organization are specified; the details are left to be tailored to the levels and groupings within the organization. Referred to as "minimum specification design," this process recognizes that designs need to be refined and modified as they are implemented throughout the firm.
3. ***Implementing and Assessing.*** This last stage involves implementing the designed organization changes. It includes an ongoing cycle of action learning: changing structures and behaviors, assessing progress, and making necessary modifications. Information about how well implementation is progressing and how well the new organizational design is working is collected and used to clarify design and implementation issues and to make necessary adjustments. This learning process continues not only during implementation but indefinitely as members periodically assess and improve the design and alter it to fit changing conditions. The feedback

> loops shown in Figure 21.1 suggest that the implementing and assessing activities may lead back to affect subsequent activities of designing, diagnosing, valuing, and acquiring knowledge. This iterative sequence of activities provides organizations with the capacity to transform and improve themselves continually.

The self-design strategy is applicable to existing organizations needing to change themselves, as well as to new organizations. It is also applicable to changing the total organization or only some subunits. The way self-design is managed and unfolds can also differ. In some cases, it follows the existing organization structure, starting with the senior executive team and cascading downward across organizational levels. In other cases, the process is managed by special design teams that are sanctioned to set broad parameters for valuing and designing for the rest of the organization. The outputs of these teams are then implemented across departments and work units, with considerable local refinement and modification.

Application 21.1 describes the change process at American Healthways. The application describes how the structural change effort used the self-design approach on an overall basis and as the basis for each of the task forces as well.

LEARNING ORGANIZATIONS

The second continuous change intervention is aimed at helping organizations develop and use knowledge to change and improve themselves constantly. It includes two interrelated change processes: organization learning (OL), which enhances an organization's capability to acquire and develop new knowledge, and knowledge management (KM), which focuses on how that knowledge can be organized and used to improve performance. Both OL and KM are crucial in today's complex, rapidly changing environments. They can be a source of strategic renewal, and they can enable organizations to acquire and apply knowledge more quickly and effectively than competitors, thus establishing a sustained competitive advantage.[10] Moreover, when knowledge is translated into new products and services, it can become a key source of wealth creation for organizations.[11] OL and KM are among the most widespread and fastest-growing interventions in OD. They are the focus of an expanding body of research and practice, and have been applied in such diverse firms as McKinsey, L. L. Bean, the Canadian Broadcasting Corporation, Allegheny-Ludlum Steel, Boeing, Microsoft, and the U.S. Army.

Conceptual Framework

Like many new interventions in OD, there is some ambiguity about the concepts underlying OL and KM.[12] Sometimes the terms "organization learning" and "knowledge management" are used interchangeably to apply to the broad set of activities through which organizations learn and organize knowledge; other times, they are used separately to emphasize different aspects of learning and managing knowledge. This confusion derives in part from the different disciplines and applications traditionally associated with OL and KM.[13]

OL interventions emphasize the organizational structures and social processes that enable employees and teams to learn and to share knowledge. They draw heavily on the social sciences for conceptual grounding and on OD interventions, such as team building, structural design, and employee involvement, for practical guidance. In organizations, OL change processes typically are associated with the human resources function and may be assigned to a special leadership role, such as chief learning officer.

KM interventions, on the other hand, focus on the tools and techniques that enable organizations to collect, organize, and translate information into useful knowledge. They are rooted conceptually in the information and computer sciences and, in

Self-Design at American Healthways Corporation

The senior leaders at American Healthways (AHMC) clearly sensed a need to look at the organization's design in the context of the expected rapid growth of its health plan business. AMHC had identified an important and growing niche (proactive disease management) in the growing health care industry. They had crafted an impressive strategy but recognized that the current structure was insufficient to the task.

A university-based OD practitioner initially recommended a task force and a series of workshops to choose an appropriate organization design for the company. The task force and workshop idea was guided by a self-design philosophy. The organization knew its structure was inadequate and that it needed a new way of operating, but it did not have a broad range of skills or experience in operating a large organization. This led the OD practitioner to believe that the self-design model would be the best approach. As the organization considered what structure to implement, it also needed to learn and build the capacity to change itself.

To date, there have been three organization design and development (ODD) task forces, and each one has been guided by the self-design strategy. The first ODD task force was dedicated to laying the foundation; their output was the recommendation to pursue a process-based structure. The second ODD task force was responsible for designing; they were charged with putting "meat on the bones" of the approved structure. The third ODD task force began implementing the new design as well as developing more sophisticated long-term implementation templates.

The first ODD task force's activities were dominated by laying the foundation activities. Members of the task force, representing most of the organization's key functional areas, read extensively on organization design, interviewed other organizations who had adopted different structures, and studied alternative change processes. As a result of the knowledge acquired through this process, the task force became aware that the organization lacked a clear vision and "big hairy audacious goal" (BHAG) that most change management frameworks listed as a key success factor. This insight led the task force to instigate a vision and strategy effort to clarify the organization's purpose, to forecast revenues, and to understand the organization's strategic intent. Within the context of a clearer strategy, the task force was able to examine the pros and cons of alternative structures and to ground their recommendation in business terms. The first ODD task force also engaged in diagnostic activities. This process allowed the group to better understand the current organization's strengths and weaknesses, to test the initial draft of the BHAG, to alert the organization to the task force's activities, and to ensure that the new organization aligned with the organization's culture. Finally, the task force spent a considerable amount of time discussing and debating the values that would guide the new organization. A culture initiative was proceeding concomitantly with the ODD task force and the outputs of their work were an important input to these discussions.

The first ODD task force used the knowledge and information generated in the laying-the-foundation phase to design three alternative structures that they believed would meet the needs of the future organization. Each of the alternative structures was formalized with high-level charts, pros and cons, and a business case rationale. The group discussed the structures and debated their relative strengths and weaknesses in the context of the diagnostic information, values, and strategy of the organization. The design phase concluded with a recommendation to senior management to adopt the process-based structure. The recommendation of the first ODD task force was debated and approved by members of AMHC's senior management team, several of whom had been on the task force. The senior team recommended that another task force be created to expand on the recommended structure.

The second ODD task force's activities were predominantly focused on the design phase of the self-design strategy. In addition to a few original task force members, the second task force consisted of organization members representing a broader range of functions and levels in the organization. This ensured that knowledge and understanding of the process-based structure generated in the first

task force would be passed along to a larger set of managers in the organization. More importantly, the second task force was expected to model the type of cross-functional team that would be the centerpiece of the new structure. As a result, the laying-the-foundation phase of the second task force included acquiring knowledge about cross-functional and self-managed teams and continuous improvement processes. The rationale for the process-based structure was reviewed and the values guiding the structural choice were discussed by the team. However, the primary work of the second ODD task force was to add detail to each of the core processes, conceptualize and define the corporate office organization, create design principles to aid managers in understanding why functions and processes were assigned in certain ways, create financial statements reflecting expected operating expenses in the new design, and create additional timelines and implementation templates to guide execution of the new structure. The second task force ended with a presentation of roles, reporting relationships, metrics, and control and reward mechanisms to the senior management team.

As the organization debated how to implement the structure, learnings from the first two task forces were applied. That is, both groups had developed important insights about the operation of a process-based organization and recommended that the next group to manage the change process had to be the senior management team itself. As a result, the COO appointed the senior management team to be the third ODD task force. The primary focus of this group would be implementation, the third phase of the self-design strategy. Despite several senior managers' participation on the first two task forces, the entire senior management team was not intimately familiar with the logic and operation of the process-based organization, nor had this group operated as a cross-functional team. By having the COO's direct reports operate as a cross-functional team, ownership for the new structure would be placed squarely on the shoulders of those who would guide its implementation and an important symbol of the new organization structure would be established. Early in the life of the third task force, and based on its recommendation, the COO and CEO renamed and replaced the old senior management team with the executive leadership group structure that would be responsible for operating the new organization. In addition, several key process owners were named to begin the implementation. The third ODD task force also developed more detailed implementation guidelines, including a variety of measures to monitor the success of the structure's implementation and methods to keep the organization's focus on meeting customer needs during the transition.

The design and implementation of the process-based structure at AMHC has been driven by the philosophy and logic of the self-design strategy. It has produced important insights and changes in the way managers at the organization viewed its strategy, culture, and operations. Most importantly, the process itself has built capacity and knowledge into the system. A variety of managers in different functions and levels of the organization have a deeper understanding of the structure's rationale and important experiences working on cross-functional teams. This knowledge and experience will serve the organization well as it implements the process-based structure.

practice, emphasize electronic forms of knowledge storage and transmission such as intranets, data warehousing, and knowledge repositories. Organizationally, KM applications often are located in the information systems function and may be under the direction of a chief information or technology officer.

There is also confusion about the concept of organization learning itself, about whether it is an individual- or organization-level process. Some researchers and practitioners describe OL as individual learning that occurs within an organization context; thus, it is the aggregate of individual learning processes occurring within an organization.[14] Others characterize it in terms of organization processes and structures; they

emphasize how learning is embedded in routines, policies, and organization cultures.[15] Snyder has proposed an integration of the two perspectives that treats organization learning as a relative concept.[16] Individuals do learn in organizations but that learning may or may not contribute to OL. Learning is organizational to the extent that

- It is done to achieve organization purposes.
- It is shared or distributed among members of the organization.
- Learning outcomes are embedded in the organization's systems, structures, and culture.

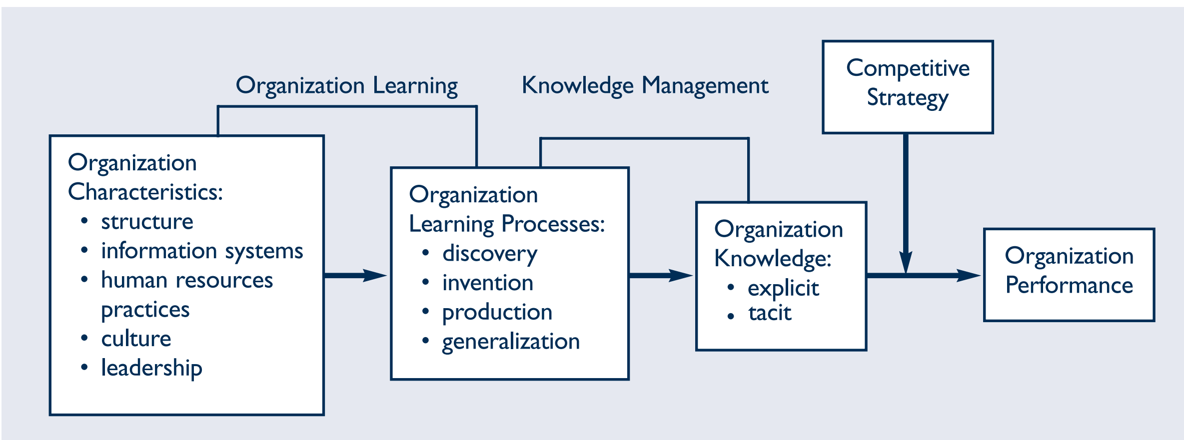
To the extent that these criteria are met, organization learning is distinct from individual learning. Thus, it is possible for individual members to learn while the organization does not. For example, a member may learn to serve the customer better without ever sharing such learning with other members. Conversely, it is possible for the organization to learn without individual members learning. Improvements in equipment design or work procedures, for example, reflect OL, even if these changes are not understood by individual members. Moreover, because OL serves the organization's purposes and is embedded in its structures, it stays with the organization, even if members change.

A key premise underlying much of the literature on OL and KM is that such interventions will lead to higher organization performance. Although their positive linkage to performance is assumed, the mechanisms through which OL and KM translate into performance improvements are rarely identified or explained. Understanding those mechanisms, however, is essential for applying these change processes in organizations.

Based on existing research and practice, Figure 21.2 provides an integrative framework for understanding OL and KM interventions,[17] summarizing the elements of these change processes and showing how they combine to affect organization performance. This framework suggests that specific characteristics, such as structure and human resources systems, influence how well organization learning processes are carried out. These learning processes affect the amount and kind of knowledge that an organization possesses; that knowledge, in turn, directly influences performance outcomes, such as product quality and customer service. As depicted in Figure 21.2, the linkage between organization knowledge and performance depends on the organization's competitive strategy. Organization knowledge will lead to high performance to the extent that it

[Figure 21.2]

How Organization Learning Affects Organization Performance



SOURCE: Reprinted by permission of Sage Publications Ltd. from W. Snyder and T. Cummings, "Organization Learning Disorders: Conceptual Model and Intervention Hypotheses," *Human Relations* 51 (1998): 873–95. © The Tavistock Institute, 1998.

is both relevant and applied effectively to the strategy. For example, customer-driven organizations require timely and relevant information about customer needs. Their success relies heavily on members having that knowledge and applying it effectively in their work with customers.

Figure 21.2 also shows how OL and KM are interrelated. OL interventions address how organizations can be designed to promote effective learning processes, and how those learning processes themselves can be improved. KM interventions focus on the outcomes of learning processes, on how strategically relevant knowledge can be effectively organized and used throughout the organization. Each of the key elements of OL and KM—organization characteristics, organization learning processes, and organization knowledge—are described below along with the interventions typically associated with them.

Organization Learning Interventions

As shown in Figure 21.2, there are several organization features that can promote effective learning processes, including structure, information systems, human resources practices, culture, and leadership. Consequently, many of the interventions described in this book can help organizations develop more effective learning capabilities. Human resources management interventions—performance appraisal, reward systems, and career planning and development—can reinforce members' motivation to gain new skills and knowledge. Technostructural interventions, such as process-based and network structures, self-managing work teams, and reengineering, can provide the kinds of lateral linkages and teamwork needed to process, develop, and share diverse information and knowledge. Human process changes, including team building, search conferences, and intergroup relations interventions, can help members develop the kinds of healthy interpersonal relationships that underlie effective OL. Strategic interventions, such as integrated strategic change and alliances, can help organizations gain knowledge about their environments and develop values and norms that promote OL.

Characteristics of a Learning Organization OL practitioners have combined many of these interventions into the design and implementation of what is commonly referred to as the "learning organization." It is an organization "skilled at creating, acquiring, interpreting, transferring, and retaining knowledge, and at purposefully modifying its behavior to reflect new knowledge and insights."[18] Much of the literature on the learning organization is prescriptive and proposes how organizations should be designed and managed to promote effective learning. Although there is relatively little systematic research to support these premises, there is growing consensus among researchers and practitioners about specific organizational features that characterize the learning organization.[19] These qualities are mutually reinforcing and fall into five interrelated categories:

- **Structure**—Organization structures emphasize teamwork, lesser number of layers, strong lateral relations, and networking across organizational boundaries both internal and external to the firm. These features promote information sharing, involvement in decision making, systems thinking, and empowerment.
- **Information systems**—Organization learning involves gathering and processing information, and consequently, the information systems of learning organizations provide an infrastructure for OL. These systems facilitate rapid acquisition, processing, and sharing of rich, complex information and enable people to manage knowledge for competitive advantage.
- **Human resources practices**—Human resources, including appraisal, rewards, and training, are designed to account for long-term performance and knowledge development; they reinforce the acquisition and sharing of new skills and knowledge.

- **Organization culture—**Learning organizations have strong cultures that promote openness, creativity, and experimentation among members. These values and norms provide the underlying social support needed for successful learning. They encourage members to acquire, process, and share information; they nurture innovation and provide the freedom to try new things, to risk failure, and to learn from mistakes.
- **Leadership—**Like most interventions aimed at continous change, OL and KM depend heavily on effective leadership throughout the organization. The leaders of learning organizations actively model the openness, risk taking, and reflection necessary for learning. They also communicate a compelling vision of the learning organization and provide the empathy, support, and personal advocacy needed to lead others in that direction.

Organization Learning Processes The organization characteristics described above affect how well members carry out organization learning processes. As shown in Figure 21.2, these processes consist of four interrelated activities: discovery, invention, production, and generalization.[20] Learning starts with discovery when errors or gaps between desired and actual conditions are detected. For example, sales managers may discover that sales are falling below projected levels and set out to solve the problem. Invention is aimed at devising solutions to close the gap between desired and current conditions; it includes diagnosing the causes of the gap and creating appropriate solutions to reduce it. The sales managers may learn that poor advertising is contributing to the sales problem and may devise a new sales campaign to improve sales. Production processes involve implementing solutions, and generalization includes drawing conclusions about the effects of the solutions and extending that knowledge to other relevant situations. For instance, the new advertising program would be implemented, and if successful, the managers might use variations of it with other product lines. Thus, these four learning processes enable members to generate the knowledge necessary to change and improve the organization.

Organizations can apply the learning processes described above to three types of learning.[21] First, *single-loop learning* or *adaptive learning* is focused on improving the status quo. This is the most prevalent form of learning in organizations and enables members to reduce errors or gaps between desired and existing conditions. It can produce incremental change in how organizations function. The sales managers described above engaged in single-loop learning when they looked for ways to reduce the difference between current and desired levels of sales.

Second, *double-loop learning* or *generative learning* is aimed at changing the status quo. It operates at a more abstract level than does single-loop learning because members learn how to change the existing assumptions and conditions within which single-loop learning operates. This level of learning can lead to transformational change, where the status quo itself is radically altered. For example, the sales managers may learn that sales projections are based on faulty assumptions and models about future market conditions. This knowledge may result in an entirely new conception of future markets, with corresponding changes in sales projections and product development plans. It may lead the managers to drop some products that had previously appeared promising, develop new ones that were not considered before, and alter advertising and promotional campaigns to fit the new conditions.

The third type of learning is called *deuterolearning*, which involves learning how to learn. Here learning is directed at the learning process itself and seeks to improve how organizations perform single- and double-loop learning. For example, the sales managers might periodically examine how well they perform the processes of discovery, invention, production, and generalization. This could lead to improvements and efficiencies in how learning is conducted throughout the organization.

Practitioners have developed change strategies designed specifically for organization learning processes. Although these interventions are relatively new in OD and do not

follow a common change process, they tend to focus on cognitive aspects of learning and how members can become more effective learners. In describing these change strategies, we draw heavily on the work of Argyris and Schon and of Senge and his colleagues because it is the most developed and articulated work in OL practice.[22]

From this perspective, organization learning is not concerned with the organization as a static entity but as an active process of sense making and organizing. Based on the interpretive model of change (Chapter 2), members socially construct the organization as they continually act and interact with each other and learn from those actions how to organize themselves for productive achievement. This active learning process enables members to develop, test, and modify mental models or maps of organizational reality. Called *theories in use*, these cognitive maps inform member behavior and organizing.[23] They guide how members make decisions, perform work, and organize themselves. Unfortunately, members' theories in use can be faulty, resulting in ineffective behaviors and organizing efforts. They can be too narrow and fail to account for important aspects of the environment; they can include erroneous assumptions that lead to unexpected negative consequences. Effective OL can resolve these problems by enabling members to learn from their actions how to detect and correct errors in their mental maps, and thus it can promote more effective organizing efforts.

The predominant mode of learning in most organizations is ineffective, however, and may even intensify errors. Referred to as *Model I learning*, it includes values and norms that emphasize unilateral control of environments and tasks, and protection of oneself and others from information that may be hurtful.[24] These norms result in a variety of defensive routines that inhibit learning, such as withholding information and feelings, competition and rivalry, and little public testing of theories in use and the assumptions underlying them. Model I is limited to single-loop learning, where existing theories in use are reinforced.

A more effective approach to learning, called *Model II learning*, is based on values promoting valid information, free and informed choice, internal commitment to the choice, and continuous assessment of its implementation.[25] This results in minimal defensiveness, with greater openness to information and feedback, personal mastery and collaboration with others, and public testing of theories in use. Model II applies to double-loop learning, where theories in use are changed, and to deuterolearning, where the learning process itself is examined and improved.

Application Stages OL interventions are aimed at helping organization members learn how to change from Model I to Model II learning. Like all learning, this change strategy includes the learning processes of discovery, invention, production, and generalization. Although the phases are described linearly below, in practice they form a recurrent cycle of overlapping learning activities.

1. ***Discover Theories in Use and Their Consequences.*** This first step involves uncovering members' mental models or theories in use and the consequences that follow from behaving and organizing according to them. Depending on the size of the client system, this may directly involve all members, such as a senior executive team, or it may include representatives of the system, such as a cross section of members from different levels and areas.

   OL practitioners have developed a variety of techniques to help members identify their theories in use. Because these theories generally are taken for granted and rarely examined, members need to generate and analyze data to infer the theories' underlying assumptions. One approach is called *dialogue*, a variant of the human process interventions described in Chapter 12.[26] It involves members in genuine exchange about how they currently address problems, make decisions, and interact with each other and relevant others, such as suppliers, customers, and competitors. Participants are encouraged to be open and frank with each other, to

behave as colleagues, and to suspend individual assumptions as much as possible. OL practitioners facilitate dialogue sessions using many of the human process tools described in Chapter 12, such as process consultation and third-party intervention. As a result, group members are encouraged to inquire into their own and others' ways of thinking, to advocate for certain beliefs, and to reflect on the assumptions that lead to those beliefs. Dialogue can result in clearer understanding of existing theories in use and their behavioral consequences and enable members to uncover faulty assumptions that lead to ineffective behaviors and organizing efforts.

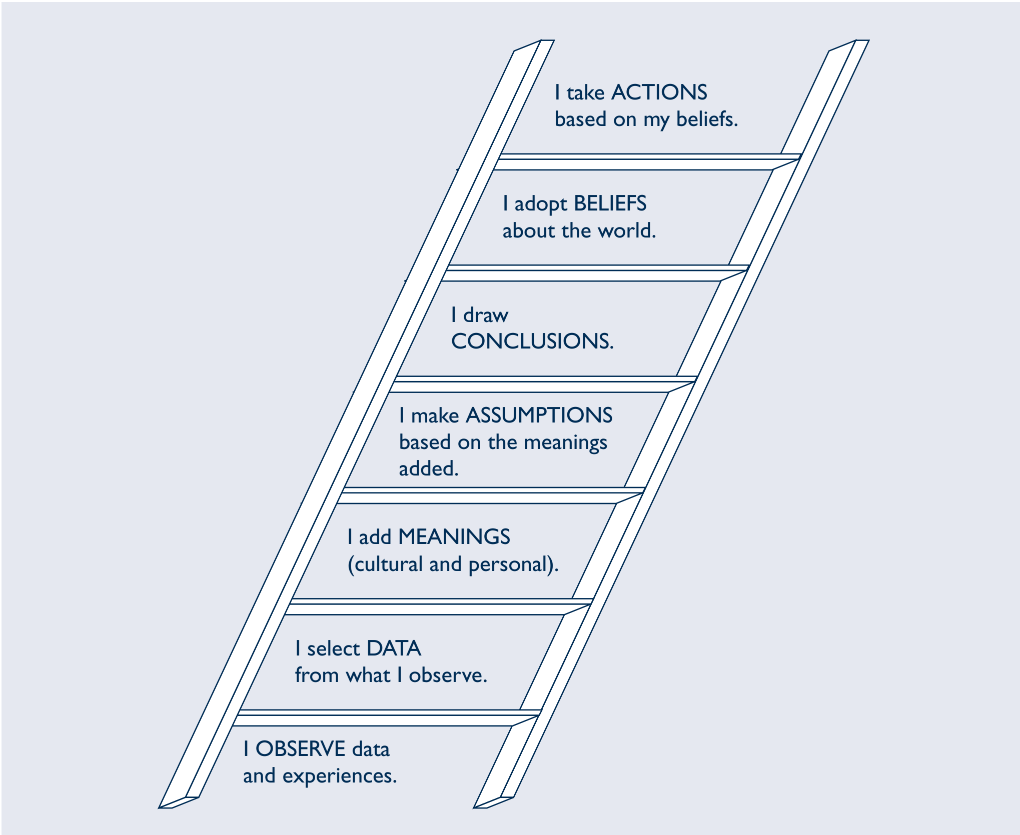
A second method of identifying theories in use involves constructing an *action map* of members' theories and their behavioral consequences.[27] OL practitioners typically interview members about recurrent problems in the organization, why they are occurring, actions that are taken to resolve them, and outcomes of those behaviors. Based on this information, an action map is constructed showing interrelationships among the values underlying theories in use, the action strategies that follow from them, and the results of those actions. Such information is fed back to members so that they can test the validity of the map, assess the effectiveness of their theories in use, and identify factors that contribute to functional and dysfunctional learning in the organization.

A third technique for identifying theories in use and revealing assumptions is called the *left-hand, right-hand column*.[28] It starts with each member selecting a specific example of a situation where he or she was interacting with others in a way that produced ineffective results. The example is described in the form of a script and is written on the right side of a page. For instance, it might include statements such as, "I told Larry that I thought his idea was good." "Joyce said to me that she did not want to take the assignment because her workload was too heavy." On the left-hand side of the page, the member writes what he or she was thinking but not saying at each phase of the exchange. For example, "When I told Larry that I thought his idea was good, what I was really thinking is that I have serious reservations about the idea, but Larry has a fragile ego and would be hurt by negative feedback." "Joyce said she didn't want to take the assignment because her workload is too heavy, but I know it's because she doesn't want to work with Larry." This simple yet powerful exercise reveals hidden assumptions that guide behavior and can make members aware of how erroneous or untested assumptions can undermine work relationships.

A fourth method that helps members identify how mental models are created and perpetuated is called the *ladder of inference*, as shown in Figure 21.3.[29] It demonstrates how far removed from concrete experience and selected data are the assumptions and beliefs that guide our behavior. The ladder shows vividly how members' theories in use can be faulty and lead to ineffective actions. People may draw invalid conclusions from limited experience; their cultural and personal biases may distort meaning attributed to selected data. The ladder of inference can help members understand why their theories in use may be invalid and why their behaviors and organizing efforts are ineffective. Members can start with descriptions of actions that are not producing intended results and then back down the ladder to discover the reasons underlying those ineffective behaviors. For example, a service technician might withhold from management valuable yet negative customer feedback about product quality, resulting in eventual loss of business. Backing down the ladder, the technician could discover an untested belief that upper management does not react favorably to negative information and may even "shoot the messenger." This belief may have resulted from assumptions and conclusions that the technician drew from observing periodic layoffs and from hearing widespread rumors that the company is out to get troublemakers and people who speak up too much. The ladder of inference can help members understand the underlying reasons for their behaviors and help them confront the possibility that erroneous assumptions are contributing to ineffective actions.

[Figure 21.3]

The Ladder of Inference



2. ***Invent and Produce More Effective Theories in Use.*** Based on what is discovered in the first phase of this change process, members invent and produce theories in use that lead to more effective actions and that are more closely aligned with Model II learning. This involves double-loop learning as members try to create and enact new theories. In essence, members learn by doing; they learn from their invention and production actions how to invent and produce more effective theories in use. As might be expected, learning how to change theories in use can be extremely difficult. There is a strong tendency for members to revert to habitual behaviors and modes of learning. They may have trouble breaking out of existing mindsets and seeing new realities and possibilities. OL practitioners have developed both behavioral and conceptual interventions to help members overcome these problems.

   Behaviorally, practitioners help members apply the values underlying Model II learning—valid information, free choice, and internal commitment—to question their experience of trying to behave more consistently with Model II.[30] They encourage members to confront and talk openly about how habitual actions and learning methods prevent them from creating and enacting more effective theories. Once these barriers to change are discussed openly, members typically discover that they are changeable. This shared insight often leads to the invention of more effective theories for behaving, organizing, and learning. Subsequent experimentation with trying to enact those theories in the workplace is likely to produce more effective change because the errors that invariably occur when trying new things now can be discussed and hence corrected.

Conceptually, OL practitioners teach members *systems thinking* to help them invent more effective theories in use.[31] It provides concepts and tools for detecting subtle but powerful structures that underlie complex situations. Learning to see such structures can help members understand previously unknown forces operating in the organization. This information is essential for developing effective theories for organizing, particularly in today's complex, changing world.

Systems thinking generally requires a radical shift in how members view the world: from seeing parts to seeing wholes; from seeing linear cause–effect chains to seeing interrelationships; from seeing static entities to seeing processes of change. Practitioners have developed a variety of exercises and tools to help members make this conceptual shift. These include systems diagrams for displaying circles of influence among system elements; system archetypes describing recurrent structures that affect organizations; computerized microworlds where new strategies can be tried out under conditions that permit experimentation and learning; and games and experiential exercises demonstrating systems principles.[32]

3. ***Continuously Monitor and Improve the Learning Process.*** This final stage involves deuterolearning—learning how to learn. As described earlier, learning is directed at the learning process itself and at how well Model II learning characteristics are reflected in it. This includes assessing OL strategies and the organizational structures and processes that contribute to them. Members assess periodically how well these elements facilitate single- and double-loop learning. They generalize positive findings to new or changing situations and make appropriate modifications to improve OL. Because these activities reflect the highest and most difficult level of OL, they depend heavily on members' capability to do Model II learning. Members must be willing to question openly their theories in use about OL; they must be willing to test publicly the effectiveness of both their learning strategies and those of the wider organization.

Knowledge Management Interventions

The key outcome of organization learning processes is organization knowledge. It includes what members know about organizational processes, products, customers, and competitive environments. Such knowledge may be explicit and exist in codified forms such as documents, manuals, and databases; or it may be tacit and reside mainly in members' skills, memories, and intuitions.[33] Fueled by innovations in information technology, KM interventions have focused heavily on codifying organization knowledge so it can be readily accessed and applied to organizational tasks. Because tacit knowledge is difficult if not impossible to codify, attention has also been directed at how such knowledge can be shared informally across members and organizational units.

Knowledge and Performance Organization knowledge contributes to organization performance to the extent that it is relevant and applied effectively to the organization's competitive strategy, as shown in Figure 21.2. Moreover, organization knowledge is particularly valuable when it is unique and cannot easily be obtained by competitors.[34] Thus, organizations seek to develop or acquire knowledge that distinctly adds value for customers and that can be leveraged across products, functions, business units, or geographical regions. For example, Wal-Mart excels at managing its unique distribution system across a wide variety of regional stores. Honda is particularly successful at leveraging its competence in producing motors across a number of product lines, including automobiles, motorcycles, generators, outboard motors, and lawn mowers.[35]

Because organization knowledge plays a crucial role in linking organization learning processes to organization performance, increasing attention is being directed at how firms can acquire and use it effectively. Studies have demonstrated how many Japanese companies and such American firms as Hewlett-Packard and Motorola achieve competitive

advantage through building and managing knowledge effectively.[36] These knowledge capabilities have been described as "core competencies,"[37] "invisible assets,"[38] and "intellectual capital,"[39] thus suggesting their contribution to organization performance. Mohrman and her colleagues have looked at organizations through a knowledge lens.[40] They have shown how firms can fine tune their organization designs so that each design element, such as structure, rewards, work design, and managerial processes, contributes to creating and leveraging knowledge for competitive advantage.

There is growing emphasis both in the accounting profession and in many industries on developing measures that capture knowledge capital.[41] For many organizations, the value of intellectual assets far exceeds the value of physical and financial assets; intellectual assets are usually worth three- to four-times tangible book value.[42] Moreover, the key components of cost in many of today's organizations are research and development, intellectual assets, and services, rather than materials and labor, which are the focus of traditional cost accounting. Dow Chemical, for example, has developed a process for measuring and managing intellectual capital.[43] The method first defines the role of knowledge in the firm's business strategy, then assesses current knowledge assets and deficiencies, and finally assembles a knowledge portfolio. This process enables Dow to manage knowledge almost as rigorously as it manages its tangible assets.

Application Stages KM interventions are growing rapidly in OD and include a range of change strategies and methods. Although there is no universal approach to KM, these change processes address the essential steps for generating, organizing, and distributing knowledge within organizations:

1. ***Generating Knowledge.*** This stage involves identifying the kinds of knowledge that will create the most value for the organization and then creating mechanisms for increasing that stock of knowledge. It starts with examination of the organization's competitive strategy—how it seeks to create customer value to achieve profitable results. Strategy provides the focus for KM; it identifies those areas where knowledge is likely to have the biggest payoff. For example, competitive strategies that emphasize customer service, such as those found at McKinsey and Nordstrom, place a premium on knowledge about customer needs, preferences, and behavior. Strategies favoring product development, like those at Microsoft and Hoffman-LaRoche, benefit from knowledge about technology and research and development. Strategies focusing on operational excellence, such as those at Motorola and Chevron, value knowledge about manufacturing and quality improvement processes.

   Once the knowledge required for competitive strategy is identified, organizations need to devise mechanisms for acquiring or creating that knowledge. Externally, organizations can acquire other companies that possess the needed knowledge, or they can rent it from knowledge sources such as consultants and university researchers.[44] Internally, organizations can facilitate *communities of practice*—informal networks among employees performing similar work to share expertise and solve problems together.[45] They can also create more formal groups for knowledge generation, such as R&D departments, corporate universities, and centers of excellence. Organizations can bring together people with different skills, ideas, and values to generate new products or services. Called *creative abrasion,* this process breaks traditional frames of thinking by having diverse perspectives rub creatively against each other to develop innovative solutions.[46]
2. ***Organizing Knowledge.*** This phase includes putting valued knowledge into a form that organizational members can use readily. It may also involve refining knowledge to increase its value to users. KM practitioners have developed tools and methods for organizing knowledge that form two broad strategies: codification and personalization.[47]

Codification approaches rely heavily on information technology. They categorize and store knowledge in databases where it can be accessed and used by appropriate members. This strategy works best for explicit forms of knowledge that can be extracted from people, reports, and other data sources, and then organized into meaningful categories called "knowledge objects" that can be reused for various purposes. The economic rationale underlying this strategy is to invest once in a knowledge asset and then to reuse it many times. Management consulting firms such as McKinsey and Bain extract key knowledge objects from consulting reports, benchmark data, and market segmentation analyses, and then place them in an electronic repository for people to use. This enables them to apply knowledge assets across various projects and clients, thus achieving scale in knowledge reuse to grow their business.

Personalization strategies for organizing knowledge focus on the people who develop knowledge and on how they can share it person-to-person. This approach emphasizes tacit knowledge, which cannot be codified and stored effectively in computerized information systems. Such knowledge is typically accessed through personal conversations, direct contact, and ongoing dialogue with the people who possess it. Thus, KM practitioners have developed a variety of methods for facilitating personal exchanges between those with tacit knowledge and those seeking it. For example, Bain and Company fosters networking among its employees through transferring people across offices, encouraging the prompt return of phone calls from colleagues, brainstorming sessions, and cross-functional project teams. Hughes, Microsoft, and Time-Life have created "knowledge maps" that identify valued competencies, skills, and knowledge and show people where to go and whom to contact to access them.[48]

3. ***Distributing Knowledge.*** This final stage of KM creates mechanisms for members to gain access to needed knowledge. It overlaps with the previous phase of KM and involves making knowledge easy for people to find and encouraging its use and reuse. KM practitioners have developed a variety of methods for distributing knowledge, generally grouped as three approaches: self-directed distribution, knowledge services and networks, and facilitated transfer.[49]

Self-directed distribution methods rely heavily on member control and initiative for knowledge dissemination. They typically include databases for storing knowledge and locator systems for helping members find what they want. Databases can include diverse information such as articles, analytical reports, customer data, and best practices. Locator systems can range from simple phone directories to elaborate search engines. Self-directed knowledge transfer can involve either "pull" or "push" systems.[50] The former lets members pull down information they need, when they need it; the latter makes knowledge available to members by sending it out to them. Fluor Corporation, for example, placed job requirements and career ladder information on its intranet and let employees access the information on an "as needed" basis.

Knowledge services and networks promote knowledge transfer by providing specific assistance and organized channels for leveraging knowledge throughout the organization. KM services include a variety of support for knowledge distribution, such as help desks, information systems, and knowledge packages. They may also involve special units and roles that scan the flow of knowledge and organize it into more useful forms, such as "knowledge departments," "knowledge managers," or "knowledge integrators."[51] Knowledge networks create linkages among organizational members for sharing knowledge and learning from one another. These connections can be electronic, such as those occurring in chat rooms, intranets, and discussion databases, or they may be personal, such as those taking place in talk rooms, knowledge fairs, and communities of practice.

Facilitated transfer of organization knowledge involves specific people who assist and encourage knowledge distribution. These people are trained to help members

find and transmit knowledge as well as gain access to databases and other knowledge services. They may also act as change agents helping members implement knowledge to improve organization processes and structures. For example, BP's "Shared Learning Program" includes dedicated practitioners, called "quality/progress professionals," who coach employees in best practices and how to use them.[52]

Application 21.2 describes how Motorola created a KM system at its manufacturing facility in Penang, Malaysia. It shows how KM evolves in practice and the benefits of integrating it with the organization's culture.[53]

Outcomes of OL and KM

Given the popularity of OL and KM interventions, research about their effects in organizations is growing. The Society for Organizational Learning (SoL: http://www.solonline.org) at MIT is engaged in a variety of research efforts that focus on capacity building, dialogue, and other aspects of OL processes. For example, Volvo and IKEA applied learning processes in their implementation of environmentally sustainable organization designs. Other organizations claim considerable success with the ladder of inference, the left-hand/right-hand column tool, and systems thinking. The Canadian Broadcasting Corporation, for example, used the left-hand/right-hand column to increase collaboration between the English and French radio and TV organizations and to create a new vocabulary for sharing resources. Shani and Docherty reported how OD interventions aimed at designing and implementing organization learning mechanisms contributed to positive performance outcomes in firms in Israel, Sweden, the UK, and the United States.[54] Studies of transfer of best practices and KM by the American Productivity & Quality Center reveal a number of performance improvements in such companies as Buckman Laboratories, Texas Instruments, CIGNA Property & Casualty, and Chevron.[55] Among the reported outcomes were increases in new product sales, manufacturing capacity, and corporate profits, as well as reductions in costs, service delivery time, and start-up time for new ventures. A study of 40 firms in Europe, Japan, and the United States found that in contrast to poorer performing companies, higher performing firms were better at creating, distributing, and applying knowledge.[56] A recent study of KM in 131 Korean companies showed that those that combined strategies for managing both internal-oriented tacit knowledge and external-oriented objective knowledge performed the best.[57]

Despite these success stories, there appears to be considerable room for improving OL interventions. A longitudinal analysis of Royal Dutch Shell described its rise and fall as a "premier learning organization" and questioned whether such a strategy could be institutionalized.[58] Argyris and Schon state that they are unaware of any organization that has fully implemented a double-loop learning (Model II) system.[59] Accenture, a pioneer in KM, experienced problems applying a standardized KM system across its global operations primarily because it did not take into account local and regional differences in how knowledge is generated and used.[60] A comprehensive study of KM in 431 U.S. and European firms also suggests that organizations may have more problems implementing KM practices than is commonly reported in the popular media.[61] Only 46% of the companies reported above-average performance in "generating new knowledge." Ratings were even lower for "embedding knowledge in processes, products, and/or services" (29%) and "transferring existing knowledge into other parts of the organization" (13%). Another study of 31 KM projects across 20 organizations revealed that KM contributed to the fundamental transformation of only three of the firms studied.[62] Many of the companies, however, reported operational improvements in product development, customer support, software development, patent management, and education and training. Because many of the existing reports of OL and KM outcomes are case studies or anecdotal reports, more systematic research is need to assess the effects of these popular interventions.

application 21.2

Implementing a Knowledge Management System at Motorola Penang

Launched in 1974, Motorola Penang (MP) has become one of the largest and most respected hi-tech companies in Malaysia. The 3,500-person company produces two-way communication products for public safety and enterprise applications, including Motorola's iDEN and WiMAX chipsets. MP is structured into supply chain and R&D units. Supply chain includes forecasting, purchasing, manufacturing, quality, and logistics functions. MP's factory is highly automated and includes 21 manufacturing lines with more than 12 million units' capacity. It exports more than US$1 billion worth of products annually.

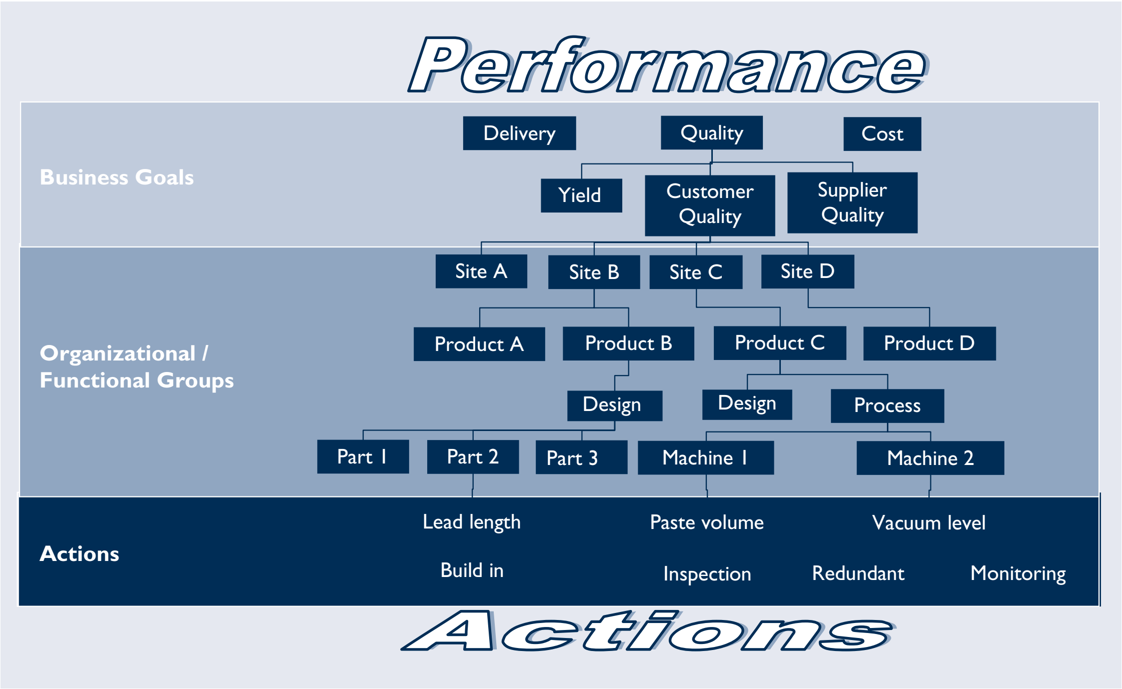
Since mid-1990s, Malaysia's manufacturing sector faced severe competitive pressures. Globalization, combined with increased raw materials costs, product complexity, and customer expectations, pushed MP to rethink how it did business. At the same time, the firm's strong reputation and manufacturing capability encouraged other Motorola businesses to transfer their products to the Penang facility. As a result, MP became a "condo factory" where multiple product groups from multiple businesses operated on the same production floor. This diversity of products, technologies, and employees combined with the 24 × 7, three-shift operating system posed challenging problems. As each new product group was added, it tended to work independently and did not communicate with other product groups. Rather than jointly solve common problems, resources were wasted, manpower was poorly utilized, and opportunities for cost and productivity improvement went untapped. Because of MP's increased scale and complexity of operations, knowledge sharing became extremely difficult. Information about online performance, machine maintenance history, and the outcomes of troubleshooting was not captured and leveraged for efficient learning and improvement. On top of all this, MP needed to re-skill existing employees and get new hires up to speed to support the product growth.

To address these challenges, MP's Engineering Director brought together the different manufacturing leaders to form an "integrated knowledge management system" team. The team's aim was to maximize knowledge sharing at the factory to make problem solving more proactive, effective, and efficient. An integrated system for data gathering and retrieval was envisioned. It would break down communication barriers, facilitate problem solving and change, and support more "on-demand" training.

The team started by diagnosing MP's existing knowledge-sharing processes. It concluded that the implementation of an integrated KM system needed to account for the organization's culture, especially its behavioral norms and shared language. Specifically, to communicate effectively and efficiently, the new KM system would need to be based on a clear and understandable platform or taxonomy. A good taxonomy would enable users to navigate easily to needed documents and quickly assess their relevance and apply them to specific problems. The KM system would also need to be aligned to corporate goals so people could visualize the "big picture" and see where their contributions applied. Perhaps most important, the new system would need to proactively involve individuals in action planning and learning, thus taking advantage of MP's long tradition of employee participation.

Next, the team designed the new KM system to fit these requirements. It structured the system into three layers (see figure below). Senior executives defined the top layer, which included the overall business goals that drive performance at MP. The middle layer translated those goals downward to the firm's various organizational and functional units having to do with specific products or functions. The bottom and most fundamental layer included the concrete actions needed to drive performance and achieve results. They represented the day-to-day performances of the engineers, technicians, and line operators. The new KM system reflected MP's language and therefore enabled users across the organization to share a common "mind map" for synchronizing their actions toward common goals and performance. Hence, it was given the name "Actions to Performance."

Implementing the Actions to Performance system took almost a decade. The change strategy started small, with only a few groups participating.



For example, MP's engineers used a paper-based "problem-cause-solution" tracking system to record their daily troubleshooting activities on manufacturing operations. This information was compiled and used in daily operations meetings where engineers spoke with coworkers across product lines to identify shared technical problems, to offer solutions, and to create new knowledge that might be used for future problem solving. As the process gained acceptance, additional people and groups got involved. Eventually, the paper-based tracking process migrated into a computerized database system. Leveraging Motorola's intranet system tools, knowledge sharing became more sophisticated and efficient. When information was published electronically, knowledge sharing among engineers could occur without time and space constraints. Knowledge could be searched and retrieved anytime and anywhere.

Next, corporate initiatives were leveraged to create greater awareness and use of the KM system among MP's entire workforce. Company-wide programs, such as Teaming for Excellence and Technical Symposium, directly involved front-line technicians and operators in managing knowledge. Kiosk stations were set up on the production floor to provide key information on machine performance, quality, and problem-solving histories. The human resources department incorporated KM training into people's development plans, tied KM to larger workforce transformations, and helped nurture a continuous improvement culture.

MP's recent introduction of Digital Six Sigma (DSS) provided another opportunity to integrate the KM system with other organization processes. DSS focused on aligning the organization's business goals to major initiatives to achieve them. As part of this effort, the online KM system evolved into a broader user interface that was Web-based and user friendly. It provided a "digital dashboard" that displayed performance measures continuously. People could log in to this system anytime, anywhere in the world and obtain real-time information. The digital dashboard enabled managers, engineers, and workers to make good decisions and take timely actions. Another KM interface helped people perform specific data analyses to support decisions about machine downtime, maintenance, and quality. Still another user interface facilitated data entry so that users could provide feedback on actions that had been taken. When line operators performed basic troubleshooting tasks on the

machines, for example, that information could be channeled back to the databases for further and wider use.

Motorola Penang has reaped numerous benefits from its integrated KM system. Once line operators mastered the system, they used the information to perform basic machine troubleshooting. In addition, best practices were shared across the organization and people took ownership to improve MP's performance. The KM system provided a common communication platform for workers, staff, and managers. It promoted a culture of continuous improvement and knowledge sharing. The online availability of performance data in real time facilitates MP's move toward a virtual factory. In terms of hard numbers, MP's total quality has improved threefold, and defect levels for all manufacturing lines have been reduced by at least 50%.

BUILT-TO-CHANGE ORGANIZATIONS

One of the newest continuous change interventions involves designing an entire organization for change and not just for normal operations. Based on extensive action research at the University of Southern California's Center for Effective Organizations, Lawler and Worley have developed a built-to-change (B2C) approach to designing organizations.[63] It is based on the simple fact that most organizations are designed for stability and dependable operations. Their design elements and managerial practices reinforce predictable behaviors aimed at sustaining a particular competitive advantage. Lawler and Worley argue that many change efforts are unsuccessful, not because of human resistance or lack of visionary leadership, but because organizations are designed to be stable. Such built-in stability can be a recipe for failure in rapidly changing environments. In these situations, the ability to change constantly is the best sustainable source of competitive advantage. The B2C intervention helps organizations design themselves for change.

Design Guidelines

The B2C intervention includes guidelines such as the following for how organization design components can be configured to promote change:

Managing Talent. B2C designs are geared to selecting, developing, and managing the right talent for change. Selection practices seek quick learners who want to take initiative, desire professional growth, and thrive on change. Employment contracts specify clearly that change is to be expected and support for change is a condition of employment and a path to success. Rather than specific job descriptions, members are encouraged to discover what needs to be done by frequent goal-setting reviews where tasks are constantly assessed and revised. Training and development are continuous and aimed at supporting change and gaining value-added skills and knowledge.

Reward System. Rewards play a key role in motivating and reinforcing change in B2C organizations. Individual or team bonuses are tied directly to change goals, learning new things, and performing new tasks well. This establishes a clear line of sight between rewards and change activities. Bonuses can include one-time rewards given at the end of a particular change effort, or rewards targeted to different phases

of the change process. B2C designs also shift the basis of rewards from jobs to people. Members are rewarded for what they can do, not for the particular job they perform. Because jobs and tasks are continually changing, people are motivated to learn new skills and knowledge, thus keeping pace with change and enhancing their long-term value to the organization.

Structure. B2C designs emphasize flat, lean, and flexible organization structures that can be reconfigured quickly when the circumstances demand. These organic designs—process, matrix, and network structures, for example—put decision making into the hands of those closest to the work and the environment. They enable members to process information, share it with relevant others, and make decisions rapidly. Organic designs keep the organization closely connected with the environment, so that it can detect external changes and create innovative responses to them.

Information and Decision Processes. In B2C organizations, information and decision making are moved throughout the organization to wherever they are needed. These performance-based systems ensure that information is transparent and current and that it provides a clear picture of how the organization is performing relative to its competitors. They enable organizations to make timely and relevant decisions to keep pace with changing conditions.

Leadership. B2C designs stress the importance of shared leadership throughout the organization. Rather than having the organization rely on centralized sources of power and control, these designs spread leadership across multiple levels of the organization. This speeds decision making and response rates because those lower in the organization need not have to wait for top-down direction. It provides leadership experience and skills to a broad array of members, thus developing a strong cadre of leadership talent. Shared leadership supports continuous change by spreading change expertise and commitment across the organization. It increases the chances that competent leaders will be there to keep the change process moving forward.

Application Stages

Lawler and Worley stress that not all organizations should be built to change, though most could benefit from applying some B2C principles. This intervention is mainly for organizations having problems adapting to complex and rapidly changing environments. For them, the following five initiatives can help the transition to a B2C organization:

1. **Create a Change-Friendly Identity.** This first stage addresses organization identity—the established set of core values, norms, and beliefs shared by organization members. Similar to organization culture, identity is the most stable part of an organization; it is deep-seated, taken for granted, and guides decisions and behaviors like an invisible hand. Organization identity can promote or hinder the transition to B2C depending on whether it supports change or stability. In many traditionally designed organizations, values and norms reinforce stability and predictability, thus making change difficult. To move toward a change-friendly identity requires surfacing existing values and norms, assessing their relevance to change, and making appropriate adjustments. This typically involves highly interactive sessions where relevant stakeholders openly discuss and debate questions about the organization's identity and how it can be "reframed" to be more change friendly. Attention is directed at creating values and norms that focus behavior on the organization's environment and help members see change as necessary and natural. To enhance member commitment to a new change-friendly identity, these new or reframed values and norms are placed in the context of important external pressures facing the organization and what these mean for its effectiveness. The organization's existing design is also assessed in relation to the new identity, and plans are made for changing specific components using the B2C guidelines outlined above.

2. **Pursue Proximity.** This step helps the organization get closer to current and possible future environments. Starting from the organization's identity, the intervention looks outward to gain a clearer picture of environmental demands and opportunities. Rather than try to predict what's going to happen, attention is directed at developing scenarios of possible and desired future environments. Senior executives commit significant time to thinking about the future and to creating possible paths to future success using various scenario-planning methods. They identify how the organization's core competencies and capabilities can contribute to making desired futures happen. This is then translated into a robust strategy for what needs to be done to move the organization and the competitive environment in the desired directions.
3. **Build an Orchestration Capability.** This stage helps the organization gain the ability to implement the strategy and to execute change effectively. It first specifies the events and decisions necessary to make the strategy happen, including how new competencies will be developed, if necessary. Then, based on the B2C belief that the ability to change is the key to competitive advantage, attention is directed at building this change capability into the organization. This involves three related activities. First, change management skills are developed widely in the organization by hiring people with those skills and by training existing managers and employees to acquire those skills. Second, an organization effectiveness function is created with competencies in strategic planning, organization design, and change management. This center of excellence is usually staffed by professionals from the strategic planning and human resources functions; they provide advice and facilitation for planning and executing change in the organization. Third, organization members learn how to apply their change capability by engaging in organizational changes and reflecting on that experience. This so-called "learning by doing" is essential for building an orchestration capability. It provides members with the hands-on experience and reflective learning necessary to hone their change skills in action.
4. **Establish Strategic Adjustment as a Normal Condition.** This step involves creating dynamic alignment in implementing strategy, developing new capabilities, and fitting organization design elements to emerging environmental demands. In fast-paced environments, the organization must continually make strategic adjustments as part of normal operations. It must constantly work at changing and coordinating all of the organization design elements so that they promote new strategies and capabilities and respond to shifting environmental demands and opportunities. Keys to making strategic adjustment a standard practice include pushing decision making downward in the organization, sharing relevant information widely, giving members the relevant skills and knowledge, and measuring and rewarding the right things. These "employee empowerment" practices (described in Chapter 15) reinforce the enormous value placed on human resources in B2C organizations; they also provide the structures, talent, and systems to support continual change and adjustment.
5. **Seek Virtuous Spirals.** This last stage involves bringing all of the prior processes together to pursue a series of temporary competitive advantages. This so-called "hit and run" approach rests on the logic that in turbulent environments, success results from identifying future opportunities, organizing to take advantage of them, and then moving on to the next opportunity when things change. Because specific sources of competitive advantage do not last long, B2C organizations continually modify their capabilities and designs to take advantage of emerging prospects. They constantly work to balance the short and long runs, to keep close to an unfolding environment, to sustain dynamic alignment among their design elements and capabilities. When they do this for long periods of time, a virtuous spiral results. The organization's design and capabilities support a successful strategy,

which in turn provides the rewards and motivation to create even better designs and capabilities for newer strategies, and so on. In rapidly changing environments, B2C organizations are more capable of seeking and creating virtuous spirals than traditional organizations.

Application 21.3 describes how Capital One Financial created a built-to-change organization. It shows how change capability is built into the firm's strategy, design features, and culture.

SUMMARY

In this chapter, we presented interventions for helping organizations change themselves continually. These change processes are particularly applicable for organizations facing turbulent environments where traditional sources of competitive advantage erode quickly. Building change capabilities directly into the organization is essential to constantly renew forms of competitive advantage to keep pace with a rapidly shifting environment.

A self-design change strategy helps a firm gain the capacity to design and implement its own continuous change. Self-design involves multiple levels of the firm and multiple stakeholders and includes an iterative series of activities: acquiring knowledge, valuing, diagnosing, designing, implementing, and assessing.

Organization learning and knowledge management interventions help organizations develop and use knowledge to change and improve themselves continually. Organization learning interventions address how organizations can be designed to promote effective learning processes and how those learning processes themselves can be improved. An organization designed to promote learning can create a continuous stream of valuable knowledge. Knowledge management focuses on how that knowledge can be organized and used to improve organization performance.

Built-to-change organizations are designed for change, not stability. They are based on design guidelines that promote change capability in the firm's talent management, reward systems, structure, information and decision processes, and leadership. In a rapidly changing environment, this change capability can be a source of sustained competitive advantage.

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application 21.3

Creating a Built-to-Change Organization at Capital One Financial

Capital One, a leading financial services firm and a top issuer of credit cards in the United States, has built an organization that does not view change as an unwanted intruder or as an afterthought to get resistors to buy into a new initiative. Rather, change capability is integrated into every aspect of Capital One's strategy, structure, and culture. This enables the firm to execute change routinely.

Capital One treats strategic planning as a continuous process of exploring alternative futures and gaining momentary advantages in a fast-paced competitive environment. According to Mike McDermott, former Director of Organization Effectiveness, "Strategic thinking goes pretty deep on two levels. On one level, the strategic planning department runs a variety of scenarios that look several years out." As described by CEO and Founder Rich Fairbank, "Eighty percent of strategy is figuring out where the world is going, and twenty percent is figuring out what you are going to do in response. If you can figure out whe``re the world is going, what you need to do usually becomes obvious." For example, Capital One might explore the broader forces affecting interest rates or the impact of changes in China's monetary policy. Each business line, in turn, would consider how these future trends might affect its particular business. "On another level," notes McDermott, "the executive committee meets regularly to discuss and debate a set of annual 'imperatives' or bold challenges. The imperatives are just that … they are things that *must* be done if we are to achieve our long-term vision." They are intended to provide Capital One with a series of temporary competitive advantages.

This robust strategizing enables Capital One to "test and learn" how best to compete in a constantly changing environment. It combines educated guesses about how the environment is changing with rigorous analysis of consumer behaviors to produce testable propositions about what credit services to offer specific consumer groups. When a consumer group and its associated service reach a certain threshold of business, a potential competitive advantage exists. The service then is broadened to a larger customer base. Because consumer profiles, competitor behaviors, and other market forces are constantly changing, however, any current advantage is fleeting and new ones must be identified to grow revenues. Moreover, to monetize a competitive advantage even in the short run, Capital One must often modify its human capital, resources, systems, and structures. Thus, it constantly renews itself as it moves from one competitive advantage to the next.

To adapt quickly to gain new competitive advantages, Capital One has developed a highly agile organization design. It begins with hiring people who have a passion for excellence, collaborate well with others, and thrive in a changing environment. Once hired, associates are given challenging work assignments and opportunities to develop new skills as business needs change. Complimenting the selection process is a decentralized and fluid organization structure, with few layers of management and decision making pushed downward in the organization. Associates are allowed to take on a variety of tasks without having to worry about job descriptions and pay grades. An adaptable performance management system completes Capital One's flexible design. It focuses on both performance and development. Rewards are tied directly to current results as well as to developing competencies the organization believes are important for its future.

The final feature of Capital One's built-to-change organization involves change capability. In the past, the firm's aggressive growth often left associates feeling overwhelmed by the rapidly changing product/service offerings. Adding to the stress were frequent updates in associates' knowledge base, reorganizations that tested their ability to remain flexible and to take on new assignments, and modifications in work processes and methods to maintain customer satisfaction. To make change manageable and even routine, Capital One charged McDermott with developing the firm's change capability. With the help of a design team composed of HR generalists and line managers, he created a unique approach to change management.

Most organizations develop change capability by deploying HR generalists to facilitate change in business units or by creating a center of excellence

in change management staffed mainly by OD professionals. Capital One created a more embedded strategy. It rooted change skills and responsibilities directly into the roles of line managers. This promised to radically shorten the cycle time of change because managers would have the expertise needed to carry out most changes on their own. But tasking managers with change management responsibilities raised important questions about Capital One's commitment to change capability as a source of competitive advantage. Critics argued, "Shouldn't the focus of line managers be on getting business results?" The design team answered affirmatively, of course, but then added that in fast changing environments, this was not enough to succeed. Managers needed to be able to combine their business expertise with knowledge about change so that strategies to acquire new competitive advantages could be implemented faster and their benefits gained sooner.

Capital One's embedded approach was based on a standardized change methodology that everyone shared and learned. Called ADKAR, it proposed that successful change followed a process of (1) creating *awareness* of the need for change, (2) having the *desire* to change, (3) possessing the *knowledge* to change, (4) having the *ability* to change, and (5) being *reinforced* for change. The change model included a common language and mindset for thinking and communicating about organizational change; it afforded Capital One a highly efficient approach to change management. For example, service changes often required cooperation among the credit card business, IT services, and the regulatory compliance and HR departments. Because all parties were familiar and comfortable with the same change model, coordination costs and change cycle times were significantly reduced. This contrasted to earlier times when Capital One employed over 17 different change models and more than 160 different change tools throughout the firm.

To implement the new change method, McDermott's team applied three action levers: knowledge/skill acquisition, visible demonstrations, and alignment with performance management. First, Capital One's corporate university offered two courses to build people's change knowledge and skill. One course, attended by both managers and staff, went deep into the change methodology and provided the opportunity to apply it to existing change projects. This helped participants learn by doing, while driving change in the organization. The second course was a one-day program designed for line managers. It provided an overview of the methodology and linked it to the organization's values and leadership competencies. This helped managers see the connection between change capability and performance management.

Second, McDermott's team targeted several large-scale change projects as visible demonstrations of the change model. This created an internal "buzz" for the methodology and encouraged people to learn how to apply it. For example, McDermott's team highlighted change initiatives coming out of a strategic imperative called ACE (Achieving Corporate Excellence): a large-scale systems conversion project, an HR reengineering effort, and a workplace redesign process called the Future of Work.

Third, McDermott's team worked closely with a group revising Capital One's performance management system to ensure that it measured and rewarded change management competencies. Together, the two groups increased the number of change-related behaviors that were rated, assessed, and rewarded. This sent a clear message about the importance of these behaviors for the future.

Capital One's built-to-change organization is widely accepted and firmly entrenched in the firm's culture. Change capability is treated like a muscle that gets better with exercise. Not surprisingly, Capital One engages in lots of change and is getting better and better at it. Its change capability is a key source of sustained competitive advantage. As one executive put it, "We can take on more change because with this new muscle, it doesn't seem like we are changing all that much. It feels like we are changing less because we are capable of handling more change than our competitors."

22

Transorganizational Change

This chapter describes interventions that move beyond the single organization to include merging, allying, or networking with other organizations. These multiorganization change programs are becoming more prevalent in OD as organizations extend their boundaries to keep pace with highly complex and rapidly changing environments. Under these conditions, organizations may merge with or acquire other firms to gain essential capabilities and resources, to operate at a larger scale, and to enter new markets. They may form strategic alliances with other organizations to share costs and expertise and to manage their exchanges more efficiently. They may join with other firms to tackle complex problems and projects that single organizations cannot accomplish.

Transorganizational change helps organizations create and sustain such multiorganization linkages. It helps organizations transcend the perspective of a single organization and address the needs and concerns of all involved organizations. This represents a fundamental shift in strategic orientation because the strategies, goals, structures, and processes of two or more organizations become interdependent and must be coordinated and aligned. This raises the scope and complexity of change processes; it increases the chances that conflicts and misunderstandings will occur. Transorganizational change calls for OD practitioners to move to a higher level of diagnosis and intervention that straddles the boundaries of different organizations, attends to their unique and often conflicting needs, and brings structure to what is frequently an underorganized and highly uncertain process. Practitioners are having to develop new concepts, skills, and expertise for implementing these change interventions.

Because transorganizational change is relatively new to OD, this chapter starts with an explanation of the rationale underlying multiorganization arrangements. Then, three kinds of interventions are described: mergers and acquisitions, strategic alliances, and networks.

Mergers and acquisitions leverage the strengths (or shore up the weaknesses) of one organization by combining with another organization. This transorganizational change involves integrating many of the interventions previously discussed in this text, including human process, technostructural, and human resources management interventions. Research and practice in mergers and acquisitions strongly suggest that OD practices can contribute to implementation success.

Alliance interventions, including joint ventures, franchising, and long-term contracts, help to develop the relationship between organizations that believe the benefits of cooperation outweigh the costs of lowered autonomy and control. These increasingly common arrangements require each organization to understand its goals and strategy in the relationship, build and leverage trust, and ensure that it is receiving the expected benefits.

Finally—and building on the knowledge of alliances—network interventions are concerned with helping a group or system of organizations engage in relationships to perform tasks or to solve problems that are too complex and multifaceted for a single organization to resolve. These multiorganization systems abound in today's environment and include research and development consortia, public–private partnerships, and constellations of profit-seeking organizations. They tend to be loosely coupled and nonhierarchical, and consequently they

require methods different from most traditional OD interventions that are geared to single organizations. These methods help organizations recognize the need for transorganizational partnerships and develop coordinating structures for carrying them out.

TRANSORGANIZATIONAL RATIONALE

More and more, organizations are linking with other organizations to achieve their objectives. These transorganizational strategies can provide additional resources for large-scale research and development; spread the risks of innovation; apply diverse expertise to complex problems and tasks; make information or technology available to learn and develop new capabilities; position the organization to achieve economies of scale or scope; and gain access to new, especially international, marketplaces.[1] For example, pharmaceutical firms form strategic alliances to distribute noncompeting medications and to avoid the high costs of establishing sales organizations; firms from different countries form joint ventures to overcome restrictive trade barriers; and high-technology firms form research consortia to undertake significant and costly research and development for their industries.

More generally, however, transorganizational strategies allow organizations to perform tasks that are too costly and complicated for single organizations to perform.[2] These tasks include the full range of organizational activities, including purchasing raw materials, hiring and compensating organization members, manufacturing and service delivery, obtaining investment capital, marketing and distribution, and strategic planning. The key to understanding transorganizational strategies is recognizing that these individual tasks must be coordinated with each other. Whenever a good or service from one of these tasks is exchanged between two units (individuals, departments, or organizations), a *transaction* occurs. Transactions can be designed and managed internally within the organization's structure, or externally between organizations. For example, organizations can acquire a raw materials provider and operate these tasks as part of internal operations or they can collaborate with a raw material supplier through long-term contracts in an alliance.

Economists and organization theorists have spent considerable effort investigating when transorganizational strategies work best. They have developed frameworks, primarily transaction cost theory and agency theory, that are useful for understanding these interventions.[3] As a rule, transorganizational strategies work well when transactions occur frequently and are well understood. Many organizations, for example, outsource their payroll tasks because the inputs, such as hours worked, pay rates, and employment status; the throughputs, such as tax rates and withholdings; and the outputs occur regularly and are governed by well-known laws and regulations. Moreover, if transactions involve people, equipment, or other assets that are unique to the task, then transorganizational linkage is the preferred approach. For example, Microsoft works with a variety of value-added resellers, independent software vendors, and small and large consulting businesses to bring their products to customers ranging in size from individual consumers to the largest business enterprises in the world. An internal sales and service department to handle the unique demands of each customer segment would be much more expensive to implement and would not deliver the same level of quality as the partner organizations. In general, relationships between and among organizations become more formalized as the frequency of interaction increases, the type of information and other resources that are exchanged become more proprietary, and the number of different types of exchanges increases.[4]

Cummings has referred to groups of organizations that have joined together for a common purpose as *transorganizational systems* (TSs).[5] TSs are functional social systems existing intermediately between single organizations on the one hand and societal systems on the

other. These multiorganization systems can make decisions and perform tasks on behalf of their member organizations, although members maintain their separate organizational identities and goals. This separation distinguishes TSs from mergers and acquisitions.

In contrast to most organizational systems, TSs tend to be underorganized. Relationships among member organizations are loosely coupled; leadership and power are dispersed among autonomous organizations, rather than hierarchically centralized; and commitment and membership are tenuous as member organizations act to maintain their autonomy while jointly performing. These characteristics make creating and managing TSs difficult.[6] Potential member organizations may not perceive the need to join with other organizations. They may be concerned with maintaining their autonomy or have trouble identifying potential partners. U.S. firms, for example, are traditionally "rugged individualists" preferring to work alone rather than to join with other organizations. Even if organizations decide to join together, they may have problems managing their relationships and controlling joint performances. Because members typically are accustomed to hierarchical forms of control, they may have difficulty managing lateral relations among independent organizations. They also may have difficulty managing different levels of commitment and motivation among members and sustaining membership over time. The network interventions described in this chapter can help TSs understand and address these problems.

Mergers and Acquisitions

Mergers and acquisitions (M&As) involve the combination of two organizations. The term *merger* refers to the integration of two previously independent organizations into a completely new organization; *acquisition* involves the purchase of one organization by another for integration into the acquiring organization. M&As are distinct from the interventions described later in this chapter because at least one of the organizations ceases to exist. The stressful dynamics associated with M&As led one researcher to call them the "ultimate change management challenge."[7]

Organizations have a number of reasons for wanting to acquire or merge with other firms, including diversification or vertical integration; gaining access to global markets, technology, or other resources; and achieving operational efficiencies, improved innovation, or resource sharing.[8] As a result, M&As have become a preferred method for rapid growth and strategic change. In 2007, for example, the worth of M&A deals reached an all-time high of over $4.4 trillion globally, with 40% of that total involving cross-border M&As.[9] Recent large transactions include Cerberus and Chrysler, AT&T and Bell South, Google and YouTube, News Corporation and Dow Jones, Royal Bank of Scotland and ABN Amro, Nestle and Gerber Products, Walt Disney Company and Pixar, P&G and Gillette, and Wachovia and Golden West Financial.

Despite M&As' popularity, they have a questionable record of success.[10] Among the reasons commonly cited for merger failure are inadequate due diligence processes, lack of a compelling strategic rationale, unrealistic expectations of synergy, paying too much for the transaction, conflicting corporate cultures, and failure to move quickly.

M&A interventions typically are preceded by an examination of the organization's strategy. Executives must decide whether their strategic goals should be achieved by either an internal change or a multiorganization arrangement, such as an M&A, strategic alliance, or network. Mergers and acquisitions are preferred when internal development is considered too slow or when strategic alliances or networks do not offer sufficient control over key resources to meet the firm's objectives.

In addition to the OD issues described here, M&As are complex changes that involve legal and financial knowledge beyond the scope of this text. OD practitioners are encouraged to seek out and work with specialists in these other relevant disciplines. The focus here is on how OD can contribute to M&A success.

Application Stages

Mergers and acquisitions involve three major phases as shown in Table 22.1: precombination, legal combination, and operational combination.[11] OD practitioners can make substantive contributions to the precombination and operational combination phases as described below.

Precombination Phase This first phase consists of planning activities designed to ensure the success of the combined organization. The organization that initiates the M&A must identify a candidate organization, work with it to gather information about each other, and plan the implementation and integration activities. Research shows that precombination activities are critical to M&A success.[12] These include:

1. ***Search for and Select Candidate.*** This involves developing screening criteria to assess and narrow the field of candidate organizations, agreeing on a first-choice candidate, assessing regulatory compliance, establishing initial contacts, and formulating a letter of intent. Criteria for choosing an M&A partner can include leadership and management characteristics, market access resources, technical or financial capabilities, physical facilities, and so on. OD practitioners can add value at this stage of the process by encouraging screening criteria that include managerial, organizational, and cultural components as well as technical and financial aspects. In practice, financial issues tend to receive greater attention at this stage,

[Table 22.1]

Major Phases and Activities in Merger and Acquisitions

MAJOR M&A PHASES	KEY STEPS	OD AND CHANGE MANAGEMENT ISSUES
Precombination	• Search for and select candidate • Create M&A team • Establish business case • Perform due diligence assessment • Develop merger integration plans	• Ensure that candidates are screened for cultural as well as financial, technical, and physical asset criteria • Define a clear leadership structure • Establish a clear strategic vision, competitive strategy, and systems integration potential • Specify the desirable organization design features • Specify an integration action plan
Legal combination	• Complete financial negotiations • Close the deal • Announce the combination	
Operational combination	• Day 1 activities • Organizational and technical integration activities • Cultural integration activities	• Implement changes quickly • Communicate • Solve problems together and focus on the customer • Conduct an evaluation to learn and identify further areas of integration planning

with the goal of maximizing shareholder value. Failure to attend to cultural and organizational issues, however, can result in diminished shareholder value during the operational combination phase.[13]

Identifying potential candidates, narrowing the field, agreeing on a first choice, and checking regulatory compliance are relatively straightforward activities. They generally involve investment brokers and other outside parties who have access to databases of organizational, financial, and technical information. The final two activities, making initial contacts and creating a letter of intent, are aimed at determining the candidate's interest in the proposed merger or acquisition.

2. ***Create an M&A Team.*** Once there is initial agreement between the two organizations to pursue a merger or acquisition, senior leaders from the respective organizations appoint an M&A team to establish the business case, to oversee the due diligence process, and to develop a merger integration plan.[14] This team typically comprises senior executives and experts in such areas as business valuation, technology, organization, and marketing. OD practitioners can facilitate formation of this team through human process interventions, such as team building and process consultation, and help the team establish clear goals and action strategies. They can also help members define a leadership structure, apply relevant skills and knowledge, and ensure that both organizations are represented appropriately. The group's leadership structure, or who will be accountable for the team's accomplishments, is especially critical. In an acquisition, an executive from the acquiring firm is typically the team's leader. In a merger of equals, the choice of a single individual to lead the team is more difficult, but essential. The outcome of this decision and the process used to make it are the first outward symbols of how this transorganizational change will be conducted.
3. ***Establish the Business Case.*** The purpose of this activity is to develop a prima facie case that combining the two organizations will result in a competitive advantage that exceeds their separate advantages.[15] It includes specifying the strategic vision, competitive strategy, and systems integration potential for the M&A. OD practitioners can facilitate this discussion to ensure that each issue is fully explored. If the business case cannot be justified on strategic, financial, or operational grounds, the M&A should be revisited, terminated, or another candidate should be considered.

   Strategic vision represents the organizations' combined capabilities. It synthesizes the strengths of the two organizations into a viable new organization. For example, AT&T had a clear picture of its intentions in acquiring NCR: to "link people, organizations, and their information in a seamless global computer network."

   Competitive strategy describes the business model for how the combined organization will add value in a particular product market or segment of the value chain, how that value proposition is best performed by the combined organization (compared with competitors), and how it will be difficult to imitate. The purpose of this activity is to force the two organizations to go beyond the rhetoric of "these two organizations should merge because it's a good fit." The AT&T and NCR acquisition struggled, in part, because NCR management was told simply to "look for synergies."[16]

   Systems integration specifies how the two organizations will be combined. It addresses how and if they can work together. It includes such key questions as: Will one firm be acquired and operated as a wholly owned subsidiary? Does the transaction imply a merger of equals? Are layoffs implied, and if so, where? On what basis can promised synergies or cost savings be achieved?
4. ***Perform a Due Diligence Assessment.*** This involves evaluating whether the two organizations actually have the managerial, technical, and financial resources that each assumes the other possesses. It includes a comprehensive review of each organization's articles of incorporation, stock option plans, organization charts, and so on. Financial, operational, technical, logistical, and human resources inventories

are evaluated along with other legally binding issues. The discovery of previously unknown or unfavorable information can halt the M&A process.

Although due diligence assessment traditionally emphasizes the financial aspects of M&As, this focus is increasingly being challenged by evidence that culture clashes between two organizations can ruin expected financial gains.[17] Thus, attention to the cultural features of M&As is becoming more prevalent in due diligence assessment. For example, Abitibi-Price applied a cultural screen as part of its due diligence activities along with financial and operational criteria. The process sought to identify the fit between Abitibi's values and those of possible merger candidates. Stone Consolidated emerged as both a good strategic and cultural fit with Abitibi. This cultural assessment contributed heavily to the success of the subsequent merger. OD expertise can contribute significantly to M&A cultural assessment; it can help organizations carry out cultural due diligence sytematically and objectively.

The scope and detail of due diligence assessment depend on knowledge of the candidate's business, the complexity of its industry, the relative size and risk of the transaction, and the available resources. Due diligence activities must reflect symbolically the vision and values of the combined organizations. An overly zealous assessment, for example, can contradict promises of openness and trust made earlier in the transaction. Missteps at this stage can lower or destroy opportunities for synergy, cost savings, and improved shareholder value.[18]

5. ***Develop Merger Integration Plans.*** This stage specifies how the two organizations will be combined.[19] It defines integration objectives; the scope and timing of integration activities; organization design criteria; Day 1 requirements; and who does what, where, and when. The scope of these plans depends on how integrated the organizations will be. If the candidate organization will operate as an independent subsidiary with an "arm's-length" relationship to the parent, merger integration planning need only specify those systems that will be common to both organizations. A full integration of the two organizations requires a more extensive plan.

   Merger integration planning starts with the business case conducted earlier and involves more detailed analyses of the strategic vision, competitive strategy, and systems integration for the M&A. For example, assessment of the organizations' markets and suppliers can reveal opportunities to serve customers better and to capture purchasing economies of scale. Examination of business processes can identify best operating practices; which physical facilities should be combined, left alone, or shut down; and which systems and procedures are redundant. Capital budget analysis can show which investments should be continued or dropped. Typically, the M&A team appoints subgroups composed of members from both organizations to perform these analyses. OD practitioners can conduct team-building and process-consultation interventions to improve how those groups function.

   Next, plans for designing the combined organization are developed. They include the organization's structure, reporting relationships, human resources policies, information and control systems, operating logistics, work designs, and customer-focused activities.

   The final task of integration planning involves developing an action plan for implementing the M&A. This specifies tasks to be performed, decision-making authority and responsibility, and timelines for achievement. It also includes a process for addressing conflicts and problems that will invariably arise during the implementation process.

Legal Combination Phase This phase of the M&A process involves the legal and financial aspects of the transaction. The two organizations settle on the terms of the deal, register the transaction with and gain approval from appropriate regulatory agencies, communicate with and gain approval from shareholders, and file appropriate

legal documents. In some cases, an OD practitioner can provide advice on negotiating a fair agreement, but this phase generally requires knowledge and expertise beyond that typically found in OD practice.

Operational Combination Phase This final phase involves implementing the merger integration plan. In practice, it begins during due diligence assessment and may continue for months or years following the legal combination phase.[20] M&A implementation includes the three kinds of activities described below.

1. ***Day 1 Activities.*** These include communications and actions that officially start the implementation process. For example, announcements may be made about key executives of the combined organization, the location of corporate headquarters, the structure of tasks, and areas and functions where layoffs will occur. Special attention is paid to sending important symbolic messages to organization members, investors, and regulators about the soundness of the merger plans and the changes that are critical to accomplishing strategic and operational objectives.[21]
2. ***Operational and Technical Integration Activities.*** These involve the physical moves, structural changes, work designs, and procedures that will be implemented to accomplish the strategic objectives and expected cost savings of the M&A. The merger integration plan lists these activities, which can be large in number and range in scope from seemingly trivial to quite critical. For example, American Airlines's acquisition of Reno Air involved changing Reno's employee uniforms, the signage at all airports, marketing and public relations campaigns, repainting airplanes, and integrating the route structures, among others. When these integration activities are not executed properly, the M&A process can be set back. American's poor job of clarifying the wage and benefit programs caused an unauthorized pilot "sickout" that cancelled many flights and left thousands of travelers stranded. Integrating the reservation, scheduling, and pricing systems was also a critical activity. Failure to execute this task quickly could have caused American tremendous logistical problems, increased safety risks, and further alienated customers.
3. ***Cultural Integration Activities.*** These tasks are aimed at building new values and norms in the combined organization. Successful implementation melds both the technical and cultural aspects of the combined organization. For example, members from both organizations can be encouraged to solve business problems together, thus addressing operational and cultural integration issues simultaneously.[22]

The M&A literature contains several practical suggestions for managing the operational combination phase.[23] First, the merger integration plan should be implemented sooner rather than later, and quickly rather than slowly. Integration of two organizations generally involves aggressive financial targets, short timelines, and intense public scrutiny. Moreover, the change process is often plagued by culture clashes and political fighting. Consequently, organizations need to make as many changes as possible in the first hundred days following the legal combination phase. Quick movement in key areas has several advantages. It preempts unanticipated organization changes that might thwart momentum in the desired direction; it reduces organization members' uncertainty about when things will happen; and it lessens members' anxiety about the M&A's impact on their personal situation. All three of these conditions can prevent desired collaboration and other benefits from occurring.

Second, integration activities must be communicated clearly and promptly to a variety of stakeholders, including shareholders, regulators, customers, and organization members. M&As can increase uncertainty and anxiety about the future, especially for members of the involved organizations who often inquire: Will I have a job? Will my job change? Will I have a new boss? These kinds of questions can dominate conversations, reduce productive work, and spoil opportunities for

collaboration. To reduce ambiguity, organizations can provide concrete answers through a variety of channels including company newsletters, email and intranet postings, press releases, video and in-person presentations, one-on-one interaction with managers, and so on.

Third, members from both organizations need to work together to solve implementation problems and to address customer needs. Such coordinated tasks can clarify work roles and relationships and contribute to member commitment and motivation. Moreover, when coordinated activity is directed at customer service, it can assure customers that their interests will be considered and satisfied during the merger.

Fourth, organizations need to assess the implementation process continually to identify integration problems and needs. The following questions can guide the assessment process:[24]

- Have savings estimated during precombination planning been confirmed or exceeded?
- Has the new entity identified and implemented shared strategies or opportunities?
- Has the new organization been implemented without loss of key personnel?
- Was the merger and integration process seen as fair and objective?
- Is the combined company operating efficiently?
- Have major problems with stakeholders been avoided?
- Did the process proceed according to schedule?
- Were substantive integration issues resolved?
- Are people highly motivated (more so than before)?

Mergers and acquisitions are among the most complex and challenging interventions facing organizations and OD practitioners. Application 22.1 describes the key issues that Sprint and Nextel faced in the first two years of their merger. It clearly demonstrates the importance of human issues in mergers and the role that OD can play in the process.

STRATEGIC ALLIANCE INTERVENTIONS

A strategic alliance is a formal agreement between two or more organizations to pursue a set of private and common goals through the sharing of resources, including intellectual property, people, capital, technology, capabilities, or physical assets.[25] It is an important strategy for such organizations as British Petroleum, Eli Lilly, Corning Glass, Federal Express, IBM, Starbucks, Cisco Systems, Millennium Pharmaceuticals, and Siebel Systems. The term *strategic alliance* generally refers to any collaborative effort between two or more organizations, including licensing agreements, franchises, long-term contracts, and joint ventures. Franchising is a common collaborative strategy.[26] Companies such as McDonald's, Kinko's, or Holiday Inn license their name and know-how to independent organizations that deliver the service and leverage the brand name for marketing. A *joint venture* is a special type of strategic alliance where a third organization, jointly owned and operated by two (or more) organizations, is created.[27] Joint ventures between domestic and foreign firms, such as Fuji–Xerox, can help overcome trade barriers and facilitate technology transfer across nations. The New United Motor Manufacturing, Inc., in Fremont, California, for example, is a joint venture between General Motors and Toyota to produce automobiles using Japanese teamwork methods.

Application Stages

The development of effective strategic alliances generally follows a process of strategy formulation, partner selection, alliance structuring and start-up, and alliance operation and adjustment.

application 22.1

The Sprint and Nextel Merger: The First Two Years

In August 2005, the telecom giants Sprint and Nextel announced plans to merge into a single company called Sprint Nextel Corp. The merger combined Sprint's brand awareness with Nextel's large federal market, giving the new company a vast portfolio of customers while opening up a host of new business opportunities. While the merger's financial/legal side was straightforward, the task of combining the two companies into one could not have been more difficult. The two telecoms differed on almost every dimension. Sprint's culture was traditional and bureaucratic; Nextel's was entrepreneurial and flexible. The firms had different networks, products, technologies, and processes; their human resources infrastructures and practices were completely different, as were their ages, business cycles, and customer bases.

From the start, executives at Sprint Nextel knew that the human element would be crucial to merger success. Employees at both firms were highly talented, experienced, and motivated, and it was imperative that they remain with the merged firm and become committed to its success. To make this happen, Sprint Nextel's HR group took the early lead in implementing the merger. It was charged with taking a systemic look at the legacy companies to identify their best practices and to develop what would be best for employees in the merged firm. Equally important, HR needed to ensure that employees received timely and accurate information about the merger, especially what changes to expect and how they would affect their work lives.

HR worked closely with corporate communications on the pre-merger announcement and initial communications program. It started with an inspiring webcast shown to all employees featuring the CEOs of both firms. This was followed quickly by scheduled road shows at which executives visited the opposite firm's facilities to meet employees, discuss the merger, and answer questions. This personal communication was supplemented with periodic newsletters, webcasts, and online information updating employees on the merger's progress. Sprint Nextel's intranet included a "rumor mill" icon where employees could get correct information on questions related to the merger. The goal of all of this communication was to present a consistent message about the merger that was up-to-date, accurate, and addressed employees' major concerns.

An initial worry, for example, concerned the location of the new firm's corporate headquarters. Nextel was headquartered in Reston, Virginia, and Sprint in Overland Park, Kansas. Executives and staff at the two locations were concerned about where the new head office would be located and whether they would need to endure the hardship of having to move to a new locality. To quell rumors and reduce disruptions to employees' lives, Sprint Nextel quickly announced that it would retain both company headquarters, with executive headquarters being located in Reston and operational headquarters in Overland Park. Only 78 employees wound up having to relocate.

Another concern had to do with the inevitable workforce reductions that follow major mergers. Because Sprint and Nextel operated in the same industry, duplications and redundancies in jobs were common when the two firms merged, especially when their legacy systems and procedures were integrated during implementation. With HR's lead, reductions were handled with a good deal of personal care and respect to those leaving the firm, roughly 5,000 out of about 65,000 employees in the merger's first two years. Separation packages and severance benefits were fair and generous, resulting in many people voluntarily taking them. Those who chose to leave, for instance, received severance pay based on criteria existing either just before the merger date or at the time of termination, whichever resulted in the highest payout.

To assess the merger's progress, HR periodically surveyed employees and fed that information back to executives so they could take corrective actions. During the merger's first two years, data showed high ratings for management quality and employee engagement in work. Scores for employee commitment to the new firm and intent to stay were lower, however, suggesting the need to address and resolve those issues. In commenting on the how well the new firm was developing its own cultural identity, Sandra Price, the head of HR, suggested an informal indicator of merger development: how often she heard the word "legacy" connected to the employees of the former firms. Price reported that "sometime between the 12th and 15th months, I began hearing that word less," and now at the two-year mark, "I seldom hear it anymore [as applied to employees]."

1. ***Alliance Strategy Formulation.*** The first step in developing strategic alliances is to clarify the business strategy and understand why an alliance is an appropriate method to implement it. About one-half to two-thirds of alliances fail to meet their financial objectives, and the number one reason for that failure is the lack of a clear strategy.[28] For example, Collins found that alliance success was heavily influenced by the alignment of the partner to the company's "hedgehog concept" or what it is best at doing.[29] If the organization understood its passion, distinctive capabilities, and economic drivers, it was more likely to develop alliances that supported its strategy. Thus, it is important to pursue alliances according to a "collaboration logic."[30] The alliance must be seen as a more effective way of organizing and operating than developing new capabilities to perform the work in-house; acquiring or merging with another organization; or buying the capabilities from another organization in a transactional relationship.
2. ***Partner Selection.*** Once the reasons for a strategic alliance are clear, the search for an appropriate partner or partners begins. Alliances always involve a cost/benefit tradeoff; while the organization typically gains access to new markets or new capabilities, it does so at the cost of yielding some autonomy and control over its activities.

   Similar to identifying merger and acquisition candidates discussed previously, this step involves developing screening criteria, agreeing on candidates, establishing initial contacts, and formulating a letter of intent. A good alliance partnership will leverage both similarities and differences to create competitive advantage. Compatible management styles, cultures, goals, information technologies, or operations are important similarities that can smooth alliance formation and implementation. However, different perspectives, technologies, capabilities, and other resources can complement existing ones and be good sources of learning and value in the partnership. These differences can also be a source of frustration for the alliance. OD practitioners can add value at this stage of the process by helping potential alliance partners explore and understand their similarities and differences. In addition, the way the alliance begins and proceeds is an important ingredient in building trust, a characteristic of successful alliances explored more fully in the next step.
3. ***Alliance Structuring and Start-up.*** Following agreement to enter into an alliance, the focus shifts to how to structure the partnership and build and leverage trust in the relationship. First, an appropriate governance structure must be chosen and can include medium-to-long-term contracts, minority equity investments, equal equity partnerships, or majority equity investments. As the proportion of equity investment increases, the costs, risk, and amount of required management attention also increase.[31] In general, partners need to know how expenses, profits, risk, and knowledge will be shared.

   Second, research increasingly points to "relational quality" as a key success factor of long-term alliances.[32] Strategic alliances shift the nature of the relationship from the simple exchange of goods, services, or resources with no necessary expectation of a future relationship to one where there is a clear expectation of future exchange. The organizations in the relationship must act in good faith to ensure the future. This requires trust, "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior" of another firm or individual representing the organization. It implies an expectation that the organization will subordinate its self-interest to the "joint interest" of the alliance under most conditions.[33]

   Trust can increase or decrease over the life of the alliance. Early in the alliance formation process, it can serve as an initial reservoir of comfort and confidence based on perceptions of the organizations' reputation, prior success, and other sources. These same factors can also contribute to a lack of initial trust. Trust can be increased or decreased by new assessments of the others' capabilities, competence,

and ethical behavior. OD practitioners can assist in this initial start-up phase by making implicit perceptions of trust explicit and getting the involved parties to set appropriate expectations.[34] During the structuring and start-up phase, trust can increase through direct activities as a function of the number, frequency, and importance of interactions; differences between expectations and reality; the nature of mistakes and how they are resolved; and attributions made about partners' behavior.

4. ***Alliance Operation and Adjustment.*** Once the strategic alliance is functioning, the full range of OD interventions described in this text can be applied. Team building, conflict resolution, large-group interventions, work design, employee involvement, strategic planning, and culture change efforts have all been reported in alliance work.[35] OD practitioners should pay particular attention to helping each partner in the alliance clarify the capabilities contributed, the lessons learned, and the benefits received.

   Diagnosing the state of the strategic alliance and making the appropriate adjustments is a function of understanding whether the environment has changed in ways that make transorganizational linkage unnecessary, whether partner goals and capabilities have changed the nature of the relationship and interdependence, and whether the alliance is successfully generating outcomes. The long-term success of the Fuji-Xerox joint venture, for example, has been due to the willingness and ability of the two organizations to adjust the relationship in terms of ownership, profit sharing, new product development responsibilities, and market access.[36]

   Application 22.2 describes an alliance-building intervention between two firms in India.[37] It shows how, despite good intentions, OD projects can encounter vexing problems, especially in cross-cultural alliance contexts.

NETWORK INTERVENTIONS

Network interventions help organizations join together for a common purpose; their use is growing rapidly in today's highly competitive, global environment.[38] In the private sector, research and development consortia, for example, allow companies to share resources and risks associated with large-scale research efforts. Networks among airlines with regional specializations can combine to provide worldwide coverage; Japanese *keiretsu*, Korean *chaeobols*, or Mexican *grupos* can enable different organizations to take advantage of complementary capabilities among them. In the public sector, partnerships between government and business provide the resources and initiative to undertake complex urban renewal projects, such as Baltimore's Inner Harbor Project and Pittsburgh's Neighborhood Housing Services. Networks of business, labor, government, education, finance, community organizations, and economic development agencies, such as the New Baldwin Corridor Coalition, can help coordinate services, promote economies, and avoid costly overlap and redundancy.[39]

Managing the development of multiorganization networks involves two types of change: (a) creating the initial network and (b) managing change within an established network. Both change processes are complex and not well understood. First, the initial creation of networks recognizes their underorganized nature. Forming them into a more coherent, operating whole involves understanding the relationships among the participating organizations and their roles in the system, as well as the implications and consequences of organizations leaving the network, changing roles, or increasing their influence. Second, change within existing networks must account for the relationships among member organizations as a whole system.[40] The multiple and complex relationships involved in networks produce emergent phenomena that cannot be fully explained by simply knowing the parts. Each organization in the network has goals that are partly related to the good of the network and partly focused on self-interest. How the network reacts over time is even more difficult to capture and is part of the emerging science of complexity.[41]

Building Alliance Relationships

Maharashtra Hybrid Seeds Company Limited (MAHYCO), the leading producer and marketer of hybrid seeds in India, formed a strategic alliance to expand and extend its business. Founded in 1964 by B. R. Barwale, the father of the green revolution in India, MAHYCO was family owned and run. Mr. Barwale's son was the firm's managing director (MD) and several family members played critical roles in its daily management. In 1998, the company opened a state-of-the-art research and development complex, the same year that B. R. Barwale received the World Food Prize for his work on hybrid seed development.

In the early 1990s, MAHYCO first made contact with Monsanto India Private Limited as a potential business partner with complementary capabilities. Monsanto India was part of the Monsanto Company, a publicly held multinational corporation based in the United States, and the leading global developer of transgenic plants using biotechnology. Monsanto's focus on biotechnology, part of the firm's larger transformation from chemicals to biotechnology, gave it the lead in introducing insect- and herbicide-resistant genetic traits in plants. With a presence in India since 1947, Monsanto India had a sales and marketing organization with a research facility and formulation plant.

During the next few years, the two companies explored a strategic alliance primarily through personal relationships among MAHYCO's MD and two key executives from Monsanto India, an Indian operations manager and an expatriate from the United States. The MD had strong interest in progressive business practices; the operations manager, keen business savvy and local knowledge; and the expatriate, tremendous technical knowledge and cultural sensitivity. These qualities helped the three executives forge a strong personal bond based on respect, friendship, and trust. Consequently in 1998, Monsanto made an equity investment in MAHYCO. The two companies believed that their complementary resources and capabilities could be leveraged to develop competitive advantage for the alliance. For example, MAHYCO could apply Monsanto's biotechnological know-how to its vast germ plasma inventory to create plants that would support the food production and fiber needs of South Asia. Even with Monsanto's long-term presence in India, MAHYCO could provide it with better access to India's markets, government officials, and regulatory agencies.

In moving the alliance forward, however, both firms recognized that their different corporate cultures posed a special challenge. MAHYCO's culture was characterized by high levels of loyalty and commitment, owing to its family background and close connection to the noble effort of bringing biotechnology to India. The firm's management–employee relationship was highly formal, with little employee involvement in decisions and low comfort with change. Monsanto, on the other hand, was nearly opposite on all of these dimensions. It was a large fast-paced organization undergoing considerable change. Its people were in constant flux as its business models and plans were changing. Many were new to the organization and just learning their positions, while the experienced people were leading the company's conversion from chemicals to biotechnology.

Given these organizational differences and the fact that neither partner could know in advance how long the alliance would last, MAHYCO employees were fearful that Monsanto would buy out or consume MAHYCO and thereby threaten their careers. Adding to the ambiguity and stress, MAHYCO's MD openly expressed hope that the alliance would help the firm become more professionally managed and malleable, and less patriarchal and rigid.

Building on the strong personal bond between the three executives at the top of the two firms, an alliance-building intervention was considered to develop trust and collaboration at lower organizational levels. In preparing for the change program, an OD team interviewed 44 people from Monsanto India and MAHYCO. Numerous opportunities and obstacles to alliance success were identified. Members of both organizations wanted to learn more about their partner's business and culture. They expressed excitement about combining their resources in the alliance and cited the importance of collaboration and mutual understanding to make it work. Four critical success factors emerged from the interviews: clear vision and mission for the alliance, key initiatives and goals, mutual trust

and operating norms, and support for each firm's internal change plans.

The OD team then met with the top leaders at MAHYCO and Monsanto India and proposed an appreciative inquiry (AI) process for the alliance-building program. It would involve multiple organizational levels and include all relevant alliance stakeholders. AI would help participants create common ground, discover each other's capabilities, and envision the alliance's future. The proposed intervention was approved by Monsanto India but surprisingly rejected by MAHYCO, which was uncomfortable with the AI process. Specifically, MAHYCO's leaders believed they did not know enough about Monsanto India to engage in an open, loosely structured process for developing relationships and setting alliance direction and strategy. Moreover, they felt that AI would give too much decision-making power to middle managers, take too much time, and be seen as too childish for grown men with many years of experience. As a compromise, MAHYCO agreed that its R&D people would engage in AI with their Monsanto India counterparts, but the MAHYCO executive team would only participate in a more formal management education (ME) session to learn more about the alliance and their partner. Thus, two different alliance-building interventions were conducted in late 1998.

The AI session was attended by 32 participants representing four cross-alliance R&D teams. One of those teams—the Cotton team—had already been formed and was actively working on a joint project. An opening exercise encouraged participants to build relationships that go beyond name tags. It was followed by an information session where participants learned about the alliance partners and the purpose for the alliance. They gained insight about each firm's core strengths and the synergies that could be derived from the alliance. In fact, this exercise had such a strong impact that the design of the subsequent ME session was modified to include it. The AI session then moved from learning to envisioning. Participants were asked to imagine how the alliance would be publicly recognized by the year 2005. They imagined an alliance that would increase the nutrient content of pulse crops, create nitrogen-fixating plants, develop new insect-resistant crops, and spawn a "gene revolution" (a playful allusion to the Green Revolution). Moreover, the alliance would create plants that produce hydrocarbons and new color fibers and ensure the Asian food supply. Many participants experienced the envisioning process as energizing; others, mostly from the Cotton team, however, were skeptical and viewed it as "waste of our time." Despite this criticism, the subsequent dialogue revealed productive ways to address the alliance vision and to create action plans. For example, one R&D team that had not met prior to the session developed several recommendations on how to improve information sharing between the two companies.

The ME session was conducted in a more traditional presentation format than the AI session and included MAHYCO's top-30 managers and Monsanto India's top 10. It was geared to providing participants with better understanding of the alliance partners—their history, current business, future opportunities, and expectations for the alliance. After formal introductions, the ME session involved presentations on alliance management and Monsanto's biotechnology strategy. The latter was mainly for the benefit of MAHYCO's executives. Then, participants learned about each firm's core competencies and how they translated into alliance benefits. Interestingly, this part of the session evolved into a somewhat awkward discussion about "professionalism" in the MAHYCO organization. The ensuing dialogue about changing from a family business to a more professional firm raised issues of trust, loyalty, respect, and so on, all topics difficult to address in this formal setting. With facilitation from the OD team, the ME session shifted to question-and-answer discussions geared to increase cross-firm communication and understanding. The ME session ended with discussion of the top executives' role in making the alliance successful. Participants generated ideas for the next steps in developing the alliance and positioning it and biotechnology in India. They assumed no further responsibility, however, for implementing them, leaving it up to the Director of Monsanto India and the MAHYCO MD to determine the next steps and to make them happen.

In sum, the AI and ME alliance-building interventions differed considerably in their respective purposes, participants, processes, and outcomes. The AI session encouraged learning, relationship building, and co-creation of future alliance plans, whereas the ME session was intended to convey information about the alliance and its partner organizations. To assess intervention results, the

OD team administered questionnaires to all participants at the beginning and end of both sessions. In addition, a follow-up survey was administered to all participants via email four months later to explore any longitudinal effects of the interventions. Seventy-two percent of AI participants returned the email survey, while only half of the ME participants did. Participants in the AI session reported significantly greater levels of relationship building, collaboration, and follow-through in alliance project development than did the ME session participants. ME participants indicated that they missed the opportunity to build relationships. Participants in both sessions reported increased levels of mutual understanding, thereby laying the foundation for future alliance development.

Over the next six years, many of the same issues that showed up in the alliance-building sessions still persisted, to the dismay of the OD team. These included concerns over trust and collaboration, unwillingness to change, and inequalities in compensation and available equipment between the two partners. People who were roadblocks in 1998 were still roadblocks in 2003. Aspects of corporate control and decision making were still frustrating the alliance, making it difficult to chart its own future and success. The inherent differences between the two partner organizations continued to challenge alliance leadership.

On reflection, members of the OD team learned from their alliance experience. They realized that their original views about the AI and ME interventions were overly optimistic, even naive. What they observed during the AI session was only surface-level dialogue, the result of a design that minimized tension and fostered collaboration. They concluded that alliance partners as well as OD professionals need to enhance their business and cultural knowledge prior to participating in a cross-cultural alliance intervention. From a business perspective, for example, it would be helpful for participants to diagnose their own organization prior to the alliance-building activities. This would provide valuable insight into the firm's collaborative orientation and alliance capability, providing a realistic basis for determining how best to create and develop the alliance. From a cultural perspective, it would be helpful to appreciate the diverse ways in which people from different cultures are likely to react to alliance interventions such as AI and ME. In intergroup encounters, for example, people from more implicit cultures (such as India) tend to share only a shade of what they believe and feel. In contrast, people from more explicit cultures (such as the United States) tend to be more open and forward in such interactions. Such understanding would be invaluable in designing how best to build alliance relationships. Finally, the OD team concluded that alliance building is not a one-time event but an ongoing process. It needs continuous organizational support and attention to the structures and processes that sustain optimal levels of collaboration and trust among alliance partners.

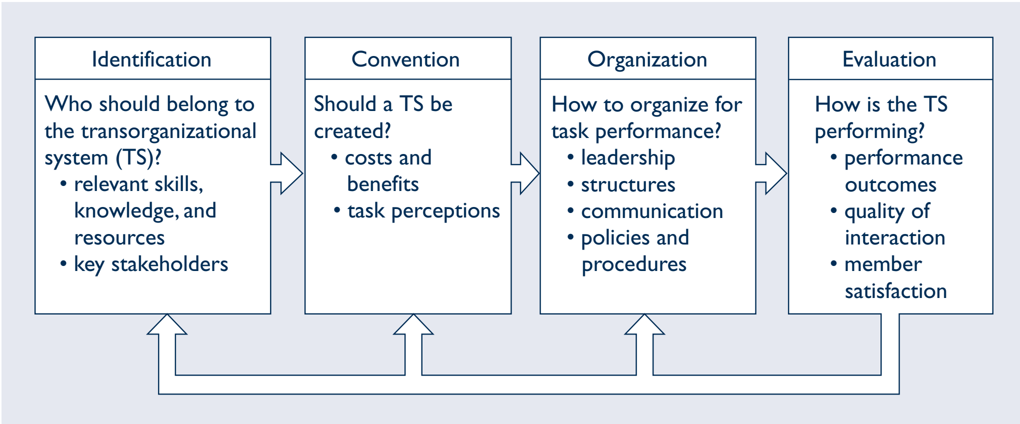
Creating the Network

OD practitioners have evolved a unique form of planned change aimed at creating networks and improving their effectiveness.[42] In laying out the conceptual boundaries of network development, also known as *transorganization development,* Cummings described the practice as following the phases of planned change appropriate for underorganized systems (see Chapter 2).[43] The four stages are shown in Figure 22.1 along with key issues that need to be addressed at each stage. The stages and issues are described below.

1. ***Identification Stage.*** This initial stage of network development involves identifying existing and potential member organizations best suited to achieving their collective objectives. Identifying potential members can be difficult because organizations may not perceive the need to join together or may not know enough about each other

[Figure 22.1]

Application Stages for Transorganizational Development



to make membership choices. These problems are typical when trying to create a new network. Relationships among potential members may be loosely coupled or nonexistent; thus, even if organizations see the need to form a network, they may be unsure about who should be included.

The identification stage is generally carried out by one or a few organizations interested in exploring the possibility of creating a network. OD practitioners work with these initiating organizations to clarify their own goals, such as product or technology exchange, learning, or market access, and to understand the trade-off between the loss of autonomy and the value of collaboration. Change agents also help specify criteria for network membership and identify organizations meeting those standards. Because networks are intended to perform specific tasks, a practical criterion for membership is how much organizations can contribute to task performance. Potential members can be identified and judged in terms of the skills, knowledge, and resources that they bring to bear on the network task. Practitioners warn, however, that identifying potential members also should take into account the political realities of the situation.[44] Consequently, key stakeholders who can affect the creation and subsequent performance of the network are identified as possible members.

An important difficulty at this stage can be insufficient leadership and cohesion among participants to choose potential members. In these situations, OD practitioners may need to play a more activist role in creating the network.[45] They may need to bring structure to a group of autonomous organizations that do not see the need to join together or may not know how to form relationships. In several cases of network development, change agents helped members create a special leadership group that could make decisions on behalf of the participating organizations.[46] This leadership group comprised a small cadre of committed members and was able to develop enough cohesion among members to carry out the identification stage. The OD activist role requires a good deal of leadership and direction. For example, change agents may need to educate potential network members about the benefits of joining together. They may need to structure face-to-face encounters aimed at sharing information and exploring interaction possibilities.

2. ***Convention Stage.*** Once potential network members are identified, the convention stage is concerned with bringing them together to assess whether formalizing the network is desirable and feasible. This face-to-face meeting enables potential members to explore mutually their motivations for joining and their perceptions of the

joint task. They work to establish sufficient levels of motivation and task consensus to form the network.

Like the identification stage, this phase of network creation generally requires considerable direction and facilitation by OD practitioners. Existing stakeholders may not have the legitimacy or skills to perform the convening function, and practitioners can serve as conveners if they are perceived as legitimate and credible by the attending organizations. This necessitates that change agents maintain a neutral role, treating all members alike.[47] They need to be seen by members as working on behalf of the total system, rather than as being aligned with particular organizations or views. When practitioners are perceived as neutral, network members are more likely to share information with them and to listen to their inputs. Such neutrality can enhance change agents' ability to mediate conflicts among members. It can help them uncover diverse views and interests and forge agreements among stakeholders. OD practitioners, for example, can act as mediators, ensuring that members' views receive a fair hearing and that disputes are equitably resolved. They can help to bridge the different views and interests and achieve integrative solutions. In many cases, practitioners come from research centers or universities with reputations for neutrality and expertise in networks.[48] Because participating organizations tend to have diverse motives and views and limited means for resolving differences, change agents may need to structure and manage interactions to facilitate airing of differences and arriving at consensus about forming the network. They may need to help organizations work through differences and reconcile self-interests with those of the larger network.

3. ***Organization Stage.*** When the convention stage results in a decision to create a network, members then begin to organize themselves for task performance. This involves developing the structures and mechanisms that promote communication and interaction among members and that direct joint efforts to the task at hand.[49] It includes the organizations to be involved in the network and the roles each will play; the communication and relationships among them; and the control system that will guide decision making and provide a mechanism for monitoring performance. For example, members may create a coordinating council to manage the network and a powerful leader to head it. They might choose to formalize exchanges among members by developing rules, policies, and formal operating procedures. When members are required to invest large amounts of resources in the network, such as might occur in an industry-based research consortium, the organizing stage typically includes voluminous contracting and negotiating about members' contributions and returns. Here, corporate lawyers and financial analysts play key roles in specifying the network structure. They determine how costs and benefits will be allocated among member organizations as well as the legal obligations, decision-making responsibilities, and contractual rights of members. OD practitioners can help members define competitive advantage for the network as well as the structural requirements necessary to support achievement of its goals.
4. ***Evaluation Stage.*** This final stage of creating a network involves assessing how the network is performing. Members need feedback so they can identify problems and begin to resolve them. This generally includes information about performance outcomes and member satisfactions, as well as indicators of how well members are interacting jointly. Change agents can periodically interview or survey member organizations about various outcomes and features of the network and feed that data back to network leaders. Such information enables network leaders to make necessary operational modifications and adjustments. It may signal the need to return to previous stages in the process to make necessary corrections, as shown by the feedback arrows in Figure 22.1.

Managing Network Change

In addition to developing new networks, OD practitioners may need to facilitate change within established networks. Planned change in existing networks derives from an understanding of the "new sciences," including complexity, nonlinear systems, catastrophe, and chaos theories. From these perspectives, organization networks are viewed as complex systems displaying the following properties:[50]

1. The behavior of a network is sensitive to small differences in its initial conditions. How the network was established and formed—the depth and nature of trust among the partners, who was selected (and not selected) to be in the network, and how the network was organized—play a key role in its willingness and ability to change.
2. Networks display "emergent" properties or characteristics that cannot be explained through an analysis of the parts: "Given the properties of the parts and the laws of their interaction, it is not a trivial matter to infer the properties of the whole."[51] The tools of systems thinking and the understanding of emergence in complex systems are still being developed and applied.[52]
3. A variety of network behaviors and patterns, both expected and unexpected, can emerge from members performing tasks and making decisions according to simple rules to which everyone agreed. This is amply demonstrated in Senge's "beer game" simulation where a retailer, a wholesaler, and a brewery each acts according to the simple rule of maximizing its own profit. Participants in the simulation routinely end up with enormous inventories of poor-selling beer, delayed deliveries, excess capacity, and other problems. Without an understanding of the "whole" system, the nature of interdependencies within the system, and timely and complete information, each part, acting in its own self-interest, destroys itself.[53] Apparently random changes in networks may simply be chaotic patterns that are not understood. These patterns cannot be known in advance but represent potential paths of change that are the result of the complex interactions among members in the network.

The process of change in complex systems such as networks involves creating instability, managing the tipping point, and relying on self-organization. These phases roughly follow Lewin's model of planned change described in Chapter 2. Change in a network requires an unfreezing process where the system becomes unstable. Movement in the system is described by the metaphor of a "tipping point" where changes occur rapidly as a result of information processing. Finally, refreezing involves self-organization. The descriptions below represent rudimentary applications of these concepts to networks; research and practice in changing networks are still in a formative stage.

1. ***Create Instability in the Network.*** Before change in a network can occur, relationships among member organizations must become unstable. A network's susceptibility to instability is a function of members' motivations for structure versus agency.[54] *Structure* refers to the organization's expected role in the network and represents a source of stability. All things being equal, network members tend to behave and perform according to their agreed-upon roles. For example, most routine communications among the network members are geared toward increasing stability and working together. A manufacturing plant in Nike's network is expected to produce a certain number of shoes at a certain cost with certain features. Nike headquarters in Beaverton, Oregon, plans on the plant behaving this way. On the other hand, *agency* involves self-interest which can create instability in the network. Each member of the network is trying to maximize its own performance in the context of the network. Changes in member goals and strategies, the ratio of costs and benefits in network membership, and so on, can affect the willingness and ability of members to contribute to network performance. When

a plant in Nike's network grows to a sufficient size, it may decide to alter its role in the network. As the ratio of agency to structure increases, the instability of the network rises, thus enabling change to occur.

OD practitioners can facilitate instability in a network by changing the pattern of communication among members. They can, for example, encourage organizations to share information. Technology breakthroughs, new product introductions, changes in network membership, or changes in the strategy of a network member all represent fluctuations that can increase the susceptibility of the network to change. Another important aspect of changing the pattern of information is to ask who should get the information. Understanding and creating instability is difficult because the nature of members' connectedness also influences the system's susceptibility. Some organizations are more connected than others; most organizations are closely connected to several others, but relatively unconnected to many. This makes creating a sense of urgency for change difficult. Diagnosis of the relationships among member organizations can provide important information about organizations that are central to network communications.[55]

2. ***Manage the Tipping Point.*** Although instability provides the impetus and opportunity for change, the direction, type, and process of change are yet to be determined. An unstable network can move to a new state of organization and performance, return to its old condition, or simply cease to exist. At this point, network members, individually and collectively, make choices about what to do. OD practitioners can help them through this change period. Recent studies suggest the following guides for facilitating network change:[56]

   a. *The Law of the Few.* A new idea, practice, or other change spreads because of a relatively few but important roles in the network. Connectors, mavens, and salespeople help an innovation achieve sufficient awareness and credibility throughout the network to be considered viable. *Connectors* are individuals who occupy central positions in the network and are able to tap into many different network audiences. They have "Rolodex" power; they are quickly able to alert and connect with a wide variety of people in many organizations. *Mavens* are "information sinks." They passionately pursue knowledge about a particular subject and are altruistically willing to tell anyone who is interested everything they know about it. The key to the maven's role is trust. People who speak to mavens know that they are getting unbiased information, that there is no "hidden agenda," just good data. Finally, *salespeople* are the champions of change and are able to influence others to try new ideas, do new things, or consider new options. Thus, the first key factor in changing a network is the presence of communication channels occupied by connectors, mavens, and salespeople.

   OD practitioners can fill any of these roles. They can, if appropriate, be mavens on a particular subject and act as a source of unbiased information about a new network practice, aspects of interpersonal relationships that network members agree is slowing network response, or ideas about information systems that can speed communication. Less frequently, OD practitioners can be connectors, ensuring that any given message is seeded throughout the network. This is especially true if the change agent was part of the network's formation. In this case, the practitioner might have extensive relationships with organizations in the network. Thus, networking skills, such as the ability to manage lateral relations among autonomous organizations in the relative absence of hierarchical control, are indispensable to practitioners of network change. Change agents must be able to span the boundaries of diverse organizations, link them together, and facilitate exchanges among them.[57] OD practitioners can also play the role of salesperson. Although it is in line with the "activist" role described earlier in the practice of network creation, it is not a traditional aspect of OD practice.

The wisdom of having a change agent as the champion of an idea rather than a key player in the organization network is debatable. The change agent and network members must understand the trade-offs in sacrificing the OD practitioner's neutrality for influence. If that trade-off is made, the change agent will need the political competence to understand and resolve the conflicts of interest and value dilemmas inherent in systems made up of multiple organizations, each seeking to maintain autonomy while jointly interacting. Political savvy can help change agents manage their own roles and values in respect to those power dynamics.

b. *Stickiness.* The second ingredient in network change is stickiness. For a new idea or practice to take hold, the message communicated by the connectors, mavens, and salespeople must be memorable. A memorable or sticky message is not a function of typical communication variables, such as frequency of the message, loudness, or saliency. Stickiness is often a function of small and seemingly insignificant characteristics of the message, such as its structure, format, and syntax, as well as its emotional content, practicality, or sequencing with other messages. OD practitioners can help network members develop sticky messages for communicating about network change. Brainstorming alternative phrases, using metaphors to symbolize meaning, or enlisting the help of marketing and communications specialists can increase the chance of developing a sticky message. Since the ingredients of stickiness are often not obvious, several iterations of a message's structure may be necessary to create memorable communication about network change.

c. *The Power of Context.* Finally, a message must be meaningful and relevant to network members. Meaning derives from the context of the network. When network members are feeling pressure to innovate or move quickly in response to external demands, for example, messages about new cost-cutting initiatives or a new financial reporting system may be uninteresting and easily neglected. On the other hand, a message linking these changes to expected improvements in network performance may be seen as relevant. OD practitioners can help members understand the network's current climate or "conversation"; they can help members determine the appropriate timing and relevance of proposed communications about network change.[58]

When the right people communicate a network change, present and package it appropriately, and distribute it in a timely fashion, implementation is likely to move forward swiftly. When there is insufficient information, interest, or relevance, network change is likely to stall.

3. ***Rely on Self-Organization.*** Networks tend to exhibit "self-organizing" behavior. Network members seek to reduce uncertainty in their environment, while the network as a whole drives to establish more order in how it functions. OD practitioners can rely on this self-organizing feature to refreeze change. Once change has occurred in the network, a variety of controls can be leveraged to institutionalize it. For example, communication systems can spread stories about how the change is affecting different members, diffusing throughout the network, or contributing to network effectiveness. This increases the forces for stability in the network. Individual organizations can communicate their commitment to the change in an effort to lower agency forces that can contribute to instability. Each of these messages signifies constraint and shows that the different parts of the network are not independent of each other.

Application 22.3 describes the behaviors of organizations within the Toyota network in response to a crisis. The application demonstrates the fragility of collaborative networks, their robust and responsive capabilities, and the importance of the law of the few, stickiness, and context.[59]

application 22.3

Fragile and Robust—Network Change in Toyota Motor Corporation

The Toyota Motor Corporation is one of the best car companies in the world. It is efficient, flexible, and routinely produces many of the world's best-engineered cars with the lowest costs in the industry. However, Toyota is not one company but a Japanese *keiretsu*, a group of about 200 companies united in supplying Toyota with everything from dashboards to headlights. The network is integrated by the Toyota Production System (TPS), a collection of total quality management, just-in-time inventory systems, and concurrent engineering processes that have been adopted by most Japanese and American firms. But Toyota's system is different because of the close-knit family culture that supports TPS and explains why costs are kept so low to insure global competitiveness. Members of the *keiretsu* routinely exchange personnel, share intellectual property, and assist each other at the cost of their own time and resources, all without the requirement of formal contracts or detailed record keeping.

One of the *keiretsu* members, Aisin Seiki, produces P-valves, a part that helps to prevent skidding by controlling pressure on the rear brakes. The fist-size P-valves are not complicated, but require precision manufacturing in specialized facilities using custom-designed drills and gauges because their role is so critical to safety. By 1997, Aisin was producing all but 1% of the P-valves for Toyota's 20 plants because of its efficiency, costs, and quality. Aisin's only P-valve manufacturing factory, the Kariya plant, produced 32,500 valves a day, and because of the success of their just-in-time system, Toyota held between four hours' and two days' worth of P-values in stock. Production at the Kariya plant was, therefore, a critical element of Toyota's supply chain. As Duncan Watts succinctly stated, "No factory, no P-valves. No P-valves, no brakes. No brakes, no cars." Toyota's general manager of production control conceded that depending on a single source and holding essentially no inventory was a calculated risk, but it also kept Toyota's production lean.

On Saturday, February 1, 1997, the Kariya plant burned down. By 9:00 A.M., the fire had destroyed most of the factory's 506 highly specialized machines and all the production lines for P-valves. Toyota estimated that more than two weeks would be needed just to restore a few milling machines to partial production, and six months to order new machines.

At the time, Toyota's auto plants were operating at full capacity to meet strong domestic demand and serve the U.S. market. About 30 production lines were producing more than 15,000 cars a day. By Wednesday, February 5, all production had ceased. Across the entire Kobe industrial zone, Toyota's own plants, and the facilities and workers supplying them, were closed. Economists estimated that Toyota's shutdown would damage Japan's annual industrial output by 0.1 percentage point each day. The brittleness of the system to such a relatively small failure points to the fragility of networks and networked organizations.

But the rapidity with which the system responded and recovered also points to the robustness and adaptability of networks. Although many experts thought Toyota couldn't recover for weeks or months, its car factories started up again within five days after the fire, and by the following Thursday, 36 different suppliers, aided by more than 150 other subcontractors, had nearly 50 separate lines producing small batches of P-valves. As soon as Thursday, February 6, two of Toyota's plants had reopened, and by the following Monday, little more than a week after the crisis had begun, production of almost 14,000 cars a day had been restored. A week after that, the daily volume was right back at its pre-disaster level.

The speed of the recovery is especially amazing given that none of individual firms in the Toyota group that helped Aisin had had the capability to do so. Very few firms that became emergency producers of P-valves, or the firms involved indirectly as suppliers, had any prior experience making the valves, nor did they have access to the kind of specialized tools that had been destroyed in the fire. The interesting question, therefore, is not why did they stage so dramatic a recovery, but how?

Aisin and Toyota managers realized immediately that the recovery task was beyond their capabilities

as an individual firm and beyond the capabilities of their immediate suppliers. A much broader effort would be required, and one over which they would have little direct control. Before the fire was out, Aisin officials organized a committee to assess the damage, notify customers and labor unions and, following Japanese custom, visit neighbors to apologize. Over 300 cellular phones, 230 extra phone lines, and several dozen sleeping bags were ordered.

At 8:00 A.M., Aisin asked Toyota to help. Kosuke Ikebuchi, a Toyota senior managing director, set up a "war room" at Toyota headquarters to direct the damage-control operation. Toyota also sent more than 400 engineers to Aisin. Later that morning, having set up an emergency response headquarters, Aisin sent out a distress call to other *keiretsu* members, defining the problem broadly and asking for help. Within hours, they had begun making blueprints for the valve, improvising tooling systems, and setting up makeshift production lines.

On Saturday afternoon, Toyota and Aisin invited some of their major parts suppliers to a second war room, at Aisin headquarters. It quickly became a hectic scene, with officials shouting out for copies of the blueprints of different P-valves while Toyota executives divvied up valve-making assignments. Despite the face-to-face meeting of several companies, being helpful wasn't easy. The firms involved in the recovery effort lacked the tools and expertise specific to P-valve production. As a result, they were forced to invent novel manufacturing procedures in real time, and to solve both design and production problems simultaneously. To make matters worse, Aisin's expertise rested largely with its own processes; it was often of little help in overcoming technical obstacles. And finally, Aisin became extremely difficult to contact. Even after installing hundreds of additional phone lines, so much information was flowing in and out in the form of queries, suggestions, solutions, and new problems, that the company was often unreachable, leaving the makeshift supply chain largely on its own.

Unfortunately, the capacity of this initial group of suppliers was insufficient. So Toyota purchasing officials called more parts makers to a Sunday afternoon meeting. These officials, like those who had met on Saturday, were also part of the Toyota family. "It was crucial because we knew each other, we knew the face of the people," Mr. Ikebuchi says. For example, Masakazu Ishikawa, a former Toyota manager whose division had designed Toyota P-valves, was now Executive Vice President of Somic Ishikawa Inc., a supplier of brake parts and suspension ball joints. Mr. Ishikawa called Somic's top production engineers and asked them to meet at the office at 8:00 P.M. Sunday. They stayed there until after midnight plotting to hire out some of their current factory work to free up machines to make the Toyota parts.

At 6:00 A.M. Monday, Somic's four designers began an eight-stage design process. Staying up 40 hours, the engineers designed jigs, and then they called in some favors from Somic's chain of suppliers. For example, Somic got a machine-tool maker, Meiko Machinery Co., to turn down other orders and put 30 workers on round-the-clock shifts to make the jigs it needed. Somic drafted technical and administrative staffers to help man the machines. On February 6, right on schedule, it delivered its first P-valves to Toyota.

The above example provides an important glimpse into the many different problem-solving and network-related activities that were taking place. Other examples included the Taiho Kogyo Co., a bearing maker that searched nationwide for special machine tools and still delivered 500 P-valves on Thursday, and Brother, a sewing and fax machine maker that had never made car parts, which spent about 500 man-hours refitting a milling machine to make just 40 valves a day.

Early in the week after the fire, even Toyota's Mr. Ikebuchi had doubts about the goal of resuming production in all plants by Friday. But the supplier group came through. Trucks bearing the first 1,000 usable P-valves rolled in late Wednesday. On Thursday, 3,000 more arrived, and on Friday, 5,000. Slowly, Toyota's assembly lines started up again.

The recovery story demonstrates how all the years of experience with the TPS paid off. All the companies involved possessed a common understanding of how problems should be approached and solved. To them, simultaneous design and engineering was an everyday activity, and because Aisin knew this, they were able to specify their requirements to a minimum level of detail, allowing potential suppliers the greatest possible latitude in deciding how to

proceed. Even more important, while the particular situation was unfamiliar, the idea of cooperating was not. Because many of the firms involved in the recovery effort had previously exchanged personnel and technical information with Aisin, and also with each other, they could make use of lines of communication, information resources, and social ties that were already established. They understood and trusted each other, an arrangement that facilitated not only the rapid dissemination of information (including seven descriptions of their mistakes) but also the mobilization and commitment of resources.

In effect then, the companies of the Toyota group managed to pull off two recovery efforts simultaneously. First, they redistributed the stress of a major failure from one firm to hundreds of firms, thus minimizing the damage to any one member of the group. And second, they recombined the resources of those same firms in multiple distinct and original configurations to produce an equivalent output of P-valves. They did all this without generating any additional breakdowns, with very little central direction, and almost completely in the absence of formal contracts. And they did it in just three days.

SUMMARY

In this chapter, we describe transorganizational change interventions that move beyond the single organization to include merging, allying, or networking with other organizations. These change programs enable organizations to extend their boundaries to keep pace with highly complex and rapidly changing environments. They help organizations create and sustain multiorganization linkages. Because transorganizational interventions transcend a single organization, attention is directed at the strategies, objectives, structures, and processes of two or more interdependent organizations. This raises the scope and complexity of change and requires OD practitioners to develop new concepts, skills, and expertise.

Mergers and acquisitions interventions involve combining two or more organizations to achieve strategic and financial objectives. They generally involves three phases: precombination, legal combination, and operational combination. The M&A process has been dominated by financial and technical concerns, but experience and research strongly support the contribution that OD practitioners can make to M&A success.

Strategic alliance interventions help organizations create partnerships with other organizations to share resources and capabilities for competitive advantage. They include licensing agreements, franchises, long-term contracts, and joint ventures. The development of strategic alliances generally follows a process of strategy formulation, partner selection, alliance structuring and start-up, and alliance operation and adjustment.

Network interventions must address two types of change. First, because multiorganization systems tend to be underorganized, the initial development of the network follows the stages of planned change relevant to underorganized systems: identification, convention, organization, and evaluation. Second, the management of change within a network also must acknowledge the distributed nature of influence and adopt methods of change that rely on the law of the few, the power of context, and the stickiness factor.

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part 7

Special Applications of Organization Development

23

Organization Development in Global Settings

This chapter describes the practice of organization development in international settings. It presents the contingencies and practice issues associated with OD in organizations outside the United States, in worldwide organizations, and in global social change organizations. The applicability and effectiveness of OD in countries and cultures outside of the United States are the subject of intense debate, however. Because OD was developed predominantly by American and Western European practitioners, its practices and methods are heavily influenced by the values and assumptions of industrialized cultures. Thus, the traditional approaches to planned change may promote management practices that conflict with the values and assumptions of other societies. Will Chinese cultural values, for example, be preserved or defended as an increasing number of European and American organizations establish operations in that country? How should OD be conducted in an Indian firm operating in the United States? On the other hand, some practitioners believe that OD can result in organizational improvements in any culture.[1] Despite different points of view on this topic, the practice of OD in international settings can be expected to expand dramatically. The rapid development of foreign economies and firms, along with the evolution of the global marketplace, is creating organizational needs and opportunities for change.

In designing and implementing planned change for organizations operating outside the United States, OD practice must account for two important contingencies: alignment between the cultural values of the host country and traditional OD values, and the host country's level of economic development. Preliminary research suggests that failure to adapt OD interventions to these cultural and economic contingencies can produce disastrous results.[2] For example, several OD concepts, including dialogue, truthfulness, and performance management, do not always work in all countries.[3] Dialogue assumes that "all differences can be bridged if you get people together in the right context." However, mediation, arbitration, or traditional negotiations are more acceptable in some cultures. Similarly, truthfulness, a very North American notion, is culturally relativistic and as a value depends on whether you are American, Asian, Middle Eastern, or from some other culture. Finally, the process and content of performance evaluation can also depend on culture.[4]

In worldwide organizations, managers can use OD to help firms operate in multiple countries. Referred to as international, global, multinational, or transnational corporations, these firms must fit their organizational strategies, structures, and processes to different cultures. OD can help members gain the organizational skills and knowledge needed to operate across cultural boundaries, enhancing organizational effectiveness through better alignment of people and systems with international strategy.

Finally, OD is playing an increasingly important role in global social change. Practitioners using highly participative approaches are influencing the development of evolving countries, providing a voice to underrepresented social classes, and bridging the gap between cultures facing similar social issues. The application of planned change processes in these settings represents one of the newest and most exciting areas of OD.

ORGANIZATION DEVELOPMENT OUTSIDE THE UNITED STATES

Organization development is being practiced increasingly in organizations outside of the United States.[5] Survey feedback interventions have been used at Air New Zealand and at the Air Emirates (United Arab Republic); work design interventions have been implemented in Gamesa (Mexico); large-group interventions have been used in Vitro (Mexico); structural interventions have been completed at Neusoft Corporation (China); and merger and acquisition integration interventions have been used at Akzo-Nobel (The Netherlands).[6] This international diffusion of OD derives from three important trends: the rapid development of foreign economies, the increasing worldwide availability of technical and financial resources, and the emergence of a global economy.[7]

The dramatic restructuring of socialist and communist economies and the rapid economic growth of developing countries are numbing in scope and impact. The U.S. government estimates that world gross domestic product will grow an average of about 3.1% between 2005 and 2017, from $36.1 trillion to $52.2 trillion. Projected growth rates in East Asia and Pacific and South Asia remain strong. The European Union continues its push for integration through fiscal policies, the admission of new countries, and the rationalizing of economic standards. Political transformations in the Middle East, China, Russia, and South Africa will produce both uncertainty and new growth-oriented economies.

Organizations operating in these rejuvenated or newly emerging economies are increasingly turning to OD practices to embrace opportunities and improve effectiveness. In China, for example, economic reforms are breaking up the "work units"—operational business units organized with housing, health care, education, food service, and other infrastructure organizations—that used to dominate the Chinese economy. As these work units are disbanded so that the operational unit can address "market facing" issues, the social fabric of China is severely shocked. A variety of nongovernmental organizations (NGOs) have formed to help China develop a "civil society." Many of these organizations, such as Global Village of Beijing, Friends of the Earth, and the Green Earth Volunteers, are using appreciative inquiry interventions to identify best practices and capacity-building processes. Ways of working together are being developed and networks of these NGOs are coming together to assist the homeless, build environmental awareness, and deliver childcare. Other interventions, including work design, survey feedback, and leadership development, represent efforts to increase ownership, commitment, and productivity in Chinese organizations.

The second trend contributing to OD applications in global settings is the unprecedented availability of technological and financial resources on a worldwide scale. The development of the Internet and e-commerce has increased foreign governments' and organizations' access to enormous information resources and fueled growth and development. The increased availability of capital and technology, for example, was cited as a primary reason for the rise of Chilean firms in the 1980s.[8] Information technology, in particular, is making the world "smaller" and more interdependent. As organizations outside the United States adopt new technology, the opportunity increases to apply techniques that facilitate planned change. OD interventions can smooth the transition to a new reporting structure, clarify roles and relationships, and reduce the uncertainty associated with implementing new techniques and practices.

The final trend fueling international OD applications is the emergence of a global economy.[9] The continued growth of China's economy, the spread of terrorism on a worldwide basis, and the impact of global warming aptly demonstrate how interdependent the world's markets have become. Many foreign organizations are maturing and growing by entering the global business community. Lowered trade barriers, deregulation, and privatization aid this international expansion. The established relationships

and local knowledge that once favored only a small number of worldwide organizations no longer are barriers to entry into many countries.[10] As organizations expand globally, they are faced with adapting structures, information systems, coordinating processes, and human resources practices to worldwide operations in a variety of countries. This has led to OD interventions geared to planned change across different cultures and economies.

The success of OD in settings outside the United States depends on two key contingencies: cultural context and economic development. First, OD interventions need to be responsive to the cultural values and organizational customs of the host country if the changes are to produce the kinds of positive results shown in the United States.[11] For example, team-building interventions in Latin American countries can fail if there is too much emphasis on personal disclosure and interpersonal relationships. Latin Americans typically value masculinity and a devotion to family, avoid conflict, and are status conscious. They may be suspicious of human process interventions that seek to establish trust, openness, and equality, and consequently they may resist them actively. The more a country's cultural values match the traditional values of OD, the less likely it is that an intervention will have to be modified. Second, a country's economic development can affect the success of OD interventions.[12] For example, organizations operating in countries with moderate levels of economic development may need business-oriented interventions more than OD kinds of changes. Indeed, little may be gained from addressing interpersonal conflict in a top-management team if the organization has difficulty getting products shipped or delivering service.

Cultural Context

Researchers have proposed that applying OD in different countries requires a "context-based" approach to planned change.[13] This involves fitting the change process to the organization's cultural context, including the values held by members in the particular country or region. These beliefs inform people about behaviors that are important and acceptable in their culture. Cultural values play a major role in shaping the customs and practices that occur within organizations as well, influencing how members react to phenomena having to do with power, conflict, ambiguity, time, and change.

There is a growing body of knowledge about cultural diversity and its effect on organizational and management practices.[14] Researchers have identified five key values that describe national cultures and influence organizational customs: context orientation, power distance, uncertainty avoidance, achievement orientation, and individualism (Table 23.1).[15]

Context Orientation This value describes how information is conveyed and time is valued in a culture. In low-context cultures, such as Scandinavia and the United States, information is communicated directly in words and phrases. By using more specific words, more meaning is expressed. In addition, time is viewed as discrete and linear—as something that can be spent, used, saved, or wasted. In high-context cultures, on the other hand, the communication medium reflects the message more than the words, and time is a fluid and flexible concept. For example, social cues in Japan and Venezuela provide as much, if not more, information about a particular situation than do words alone. Business practices in high-context cultures emphasize ceremony and ritual. For example, knowing how to exchange business cards, participate in a reception, or conducting a banquet in China honors the client and facilitates business relationships. How one behaves is an important signal of support and compliance with the way things are done. Structures are less formal in high-context cultures; there are few written policies and procedures to guide behavior. Because high-context cultures view time as fluid, punctuality for appointments is less a priority than is maintaining relationships.

[Table 23.1]

Cultural Values and Organization Customs

VALUE	DEFINITION	ORGANIZATION CUSTOMS WHEN THE VALUE IS AT ONE EXTREME	REPRESENTATIVE COUNTRIES
Context	The extent to which words carry the meaning of a message; how time is viewed	Ceremony and routines are common. Structure is less formal; fewer written policies exist. People are often late for appointments.	*High:* Asian and Latin American countries *Low:* Scandinavian countries, United States
Power distance	The extent to which members of a society accept that power is distributed unequally in an organization	Decision making is autocratic. Superiors consider subordinates as part of a different class. Subordinates are closely supervised. Employees are not likely to disagree. Powerful people are entitled to privileges.	*High:* Latin American and Eastern European countries *Low:* Scandinavian countries
Uncertainty avoidance	The extent to which members of an organization tolerate the unfamiliar and unpredictable	Experts have status/authority. Clear roles are preferred. Conflict is undesirable. Change is resisted. Conservative practices are preferred.	*High:* Asian countries *Low:* European countries
Achievement orientation	The extent to which organization members value assertiveness and the acquisition of material goods	Achievement is reflected in wealth and recognition. Decisiveness is valued. Larger and faster are better. Gender roles are clearly differentiated.	*High:* Asian and Latin American countries, South Africa *Low:* Scandinavian countries
Individualism	The extent to which people believe they should be responsible for themselves and their immediate families	Personal initiative is encouraged. Time is valuable to individuals. Competitiveness is accepted. Autonomy is highly valued.	*High:* United States *Low:* Latin American and Eastern European countries

Power Distance This value concerns the way people view authority, status differences, and influence patterns. People in high power-distance regions, such as Latin America and Eastern Europe, tend to accept unequal distributions of power and influence, and consequently autocratic and paternalistic decision-making practices are the norm. Organizations in high power-distance cultures tend to be centralized, with several hierarchical levels and a large proportion of supervisory personnel. Subordinates in these organizations represent a lower social class. They expect to be supervised closely and believe that power holders are entitled to special privileges. Such practices would be inappropriate in low power-distance regions, such as Scandinavia, where participative decision making and egalitarian methods prevail.

Uncertainty Avoidance This value reflects a preference for conservative practices and familiar and predictable situations. People in high uncertainty-avoidance regions, such as Asia, prefer stable routines over change and act to maintain the status quo. They do not like conflict and believe that company rules should not be broken. In regions where uncertainty avoidance is low, such as in many European countries, ambiguity is less threatening. Organizations in these cultures tend to favor fewer rules, higher levels of participation in decision making, more organic structures, and more risk taking.

Achievement Orientation This value concerns the extent to which the culture favors the acquisition of power and resources. Employees from achievement-oriented cultures, such as Asia and Latin America, place a high value on career advancement, freedom, and salary growth. Organizations in these cultures pursue aggressive goals and can have high levels of stress and conflict. Organizational success is measured in terms of size, growth, and speed. On the other hand, workers in cultures where achievement is less of a driving value, such as those in Scandinavia, prize the social aspects of work, including working conditions and supervision, and typically favor opportunities to learn and grow at work.

Individualism This value is concerned with looking out for oneself as opposed to one's group or organization. In high-individualism cultures, such as the United States and Australia, personal initiative and competitiveness are valued strongly. Organizations in individualistic cultures often have high turnover rates and individual rather than group decision-making processes. Employee empowerment is supported when members believe that it improves the probability of personal gain. These cultures encourage personal initiative, competitiveness, and individual autonomy. Conversely, in low individualism countries, such as China, Japan, and Mexico, allegiance to one's group is paramount. Organizations operating in these cultures tend to favor cooperation among employees and loyalty to the company.

Economic Development

In addition to cultural context, an important contingency affecting OD success internationally is a country's level of industrial and economic development. For example, although long considered an industrial economy, Russia's political and economic transformation, and the concomitant increases in uncertainties over infrastructure, corruption, cash flow, and exchange rates, has radically altered assumptions underlying business practices. Thus, economic development can be judged from social, economic, and political perspectives.[16] For example, it can be reflected in a country's management capability as measured by information systems and skills; decision-making and action-taking capabilities; project planning and organizing abilities; evaluation and control technologies; leadership, motivational, and reward systems; and human selection, placement, and development levels. The United Nations' Human Development Programme has created a Human Development Index that assesses a country's economic development in terms of life expectancy, educational attainment, and adjusted real income.

Subsistence Economies Countries such as Pakistan, Nepal, Nigeria, Uganda, and Rwanda have relatively low degrees of development and their economies are primarily agriculture-based. Their populations consume most of what they produce, and any surplus is used to barter for other needed goods and services. A large proportion of the population is unfamiliar with the concept of "employment." Working for someone else in exchange for wages is not common or understood, and consequently few large organizations exist outside of the government. In subsistence economies, OD interventions emphasize global social change and focus on creating conditions for sustainable social and economic progress. These change methods are described in the last section of this chapter.

Industrializing Economies Malaysia, Venezuela, India, Turkey, the Philippines, Iran, and the People's Republic of China are moderately developed and tend to be rich in natural resources. An expanding manufacturing base that accounts for increasing amounts of the country's gross domestic product fuels economic growth. The rise of manufacturing also contributes to the formation of a class system including upper-, middle-, and low-income groups. Organizations operating in these nations generally focus on efficiency of operations and revenue growth. Consequently, OD interventions address strategic, structural, and work design issues.[17] They help organizations identify domestic and international markets, develop clear and appropriate goals, and structure themselves to achieve efficient performance and market growth.

Industrial Economies Highly developed countries, such as Sweden, Japan, France, and the United States, emphasize nonagricultural industry. In these economies, manufactured goods are exported and traded with other industrialized countries; investment funds are available both internally and externally; the workforce is educated and skilled; and technology is often substituted for labor. Because the OD interventions described in this book were developed primarily in industrial economies, they can be expected to have their strongest effects in those contexts. Their continued success cannot be ensured, however, because these countries are advancing rapidly to postindustrial conditions. Here, OD interventions will need to fit into economies driven by information and knowledge, where service outpaces manufacturing, and where national and organizational boundaries are more open and flexible.

How Cultural Context and Economic Development Affect OD Practice

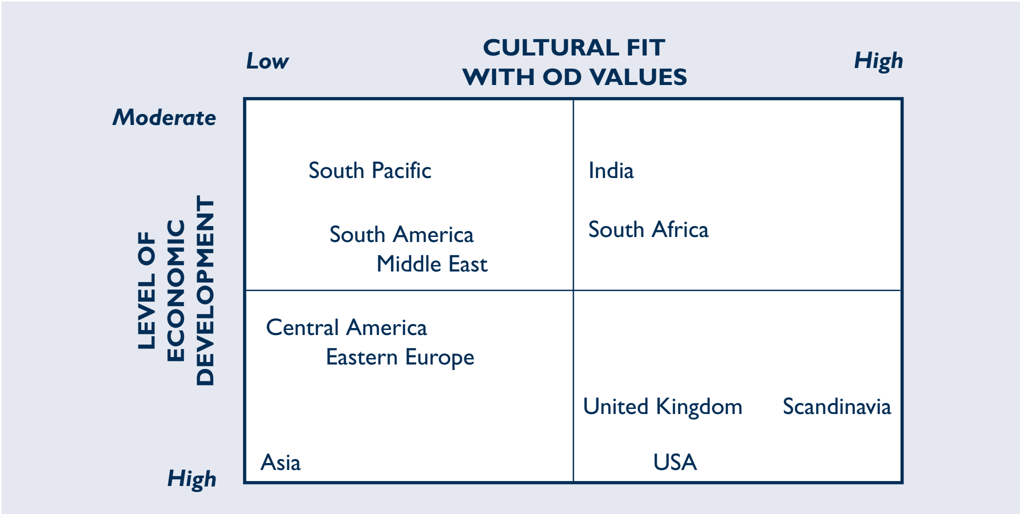
The contingencies of cultural context and economic development can have powerful effects on the way OD is carried out in various countries.[18] They can determine whether change proceeds slowly or quickly; involves few or many members; is directed by hierarchical authority or by consensus; and focuses on business, organizational, or human process issues. For example, planned change processes in Russia require more clarity in roles, the development of common understandings, changes in how an organization's vision is communicated, and the insightful use of symbols and signals.[19] When the two contingencies are considered together, they reveal four different international settings for OD practice, as shown in Figure 23.1. These different situations reflect the extent to which a country's culture fits with traditional OD values of direct and honest communication, sharing power, and improving their effectiveness and the degree to which the country is economically developed.[20]

In Figure 23.1, the degree of economic development is restricted to industrializing and highly industrialized regions. Subsistence economies are not included because they afford little opportunity to practice traditional OD; in those contexts, a more appropriate strategy is global social change, discussed later in this chapter. In general, however, the more developed the economy, the more OD is applied to the organizational and human process issues described in this book. In less developed situations, OD focuses on business issues, such as procuring raw materials, producing efficiently, and marketing successfully.[21] On the other hand, when the country's culture supports traditional OD values, the planned change process can be applied to organizational and human process issues with only small adjustments.[22] The more the cultural context differs from OD's traditional values profile, the more the planned change process will need to be modified to fit the situation.

Low Cultural Fit, Moderate Industrialization This context is least suited to traditional OD practice. It includes industrializing economies with cultural values that align poorly with OD values, including many Middle East nations, such as Iraq, Iran, and the United

[Figure 23.1]

The Cultural and Economic Contexts of International OD Practice



Arab Republic; the South Pacific region, including Malaysia and the Philippines; and certain South American countries, such as Brazil, Ecuador, Guatemala, and Nicaragua. These regions are highly dependent on their natural resources and have a relatively small manufacturing base. They tend to be high-context cultures with values of high power distance and achievement orientation and of moderate uncertainty avoidance. They are not a bad fit with OD values because these cultures tend toward moderate or high levels of collectivism, especially in relation to family.

These settings require change processes that fit local customs and that address business issues. As might be expected, little is written on applying OD in these countries, and there are even fewer reports of OD practice. Cultural values of high power distance and achievement are inconsistent with traditional OD activities emphasizing openness, collaboration, and empowerment. Moreover, executives in industrializing economies frequently equate OD with human process interventions, such as team building, training, and conflict management. They perceive OD as too soft to meet their business needs. For example, Egyptian and Filipino managers tend to be autocratic, engage in protracted decision making, and focus on economic and business problems. Consequently, organizational change is slow paced, centrally controlled, and aimed at achieving technical rationality and efficiency.[23]

These contextual forces do not influence all organizations in the same way. A recent study of 20 large-group interventions in Mexico suggests that culture may not be as constraining as has been hypothesized.[24] Similarly, in an apparent exception to the rule, the president of Semco S/A (Brazil), Ricardo Semler, designed a highly participative organization.[25] Most Semco employees set their own working hours and approve hires and promotions. Information flows downward through a relatively flat hierarchy, and strategic decisions are made participatively by companywide vote. Brazil's cultural values are not as strong on power distance and masculinity as in other Latin American countries, and that may explain the apparent success of this high-involvement organization. It suggests that OD interventions can be implemented within this cultural context when strongly supported by senior management.

High Cultural Fit, Moderate Industrialization This international context includes industrializing economies with cultures that align with traditional OD values. Such

settings support the kinds of OD processes described in this book, especially techno-structural and strategic interventions that focus on business development. According to data on economic development and cultural values, relatively few countries fit this context. India's industrial base and democratic society are growing rapidly and may fit this contingency. Similarly, South Africa's recent political and cultural changes make it one of the most interesting settings in which to practice OD.[26]

South Africa is an industrializing economy. Its major cities are the manufacturing hubs of the economy, although agriculture and mining still dominate in rural areas. The country's values are in transition and may become more consistent with OD values. South Africans customarily have favored a low-context orientation; relatively high levels of power distance; and moderate levels of individualism, uncertainty avoidance, and achievement orientation. Organizations typically have been bureaucratic with authoritarian management, established career paths, and job security primarily for Caucasian employees. These values and organizational conditions are changing, however, as the nation's political and governance structures are transformed. Formerly, apartheid policies reduced uncertainty and defined power differences among citizens. Today, free elections and the abolishment of apartheid have increased uncertainty drastically and established legal equality among the races. These changes are likely to move South Africa's values closer to those underlying OD. If so, OD interventions should become increasingly relevant to that nation's organizations.

A study of large South African corporations suggests the directions that OD is likely to take in that setting.[27] The study interviewed internal OD practitioners about key organizational responses to the political changes in the country, such as the free election of Nelson Mandela, abolishment of apartheid, and the Reconstruction and Development Program. Change initiatives at Spoornet, Eskom, and Telkom, for example, centered around two strategic and organizational issues. First, the political changes opened up new international markets, provided access to new technologies, and exposed these organizations to global competition. Consequently, these firms initiated planned change efforts to create corporate visions and identify strategies for entering new markets and acquiring new technologies. Second, the political changes forced corporations to modify specific human resources and organizational practices. The most compelling change was mandated affirmative action quotas. At Spoornet, Eskom, and Telkom, apartheid was thoroughly embedded in the organizations' structures, policies, and physical arrangements. Thus, planned change focused on revising human resources policies and practices. Similarly, organizational structures that had fit well within the stable environment of apartheid were outmoded and too rigid to meet the competitive challenges of international markets. Planned changes for restructuring these firms were implemented as part of longer-term strategies to change corporate culture toward more egalitarian and market-driven values.

Low Cultural Fit, High Industrialization This international setting includes industrialized countries with cultures that fit poorly with traditional OD values. Many countries in Central America, Eastern Asia, and Eastern Europe fit this description. Reviews of OD practice in those regions suggest that planned change includes all four types of interventions described in this book, although the change process itself is adapted to local conditions.[28] For example, Mexico, Venezuela, China, Japan, and Korea are high-context cultures where knowledge of local mannerisms, customs, and rituals is required to understand the meaning of communicated information. To function in such settings, OD practitioners must know not only the language but the social customs as well. Similarly, cultural values emphasizing high levels of power distance, uncertainty avoidance, and achievement orientation foster organizations where roles, status differences, and working conditions are clear; where autocratic and paternalistic decisions are expected; and where the acquisition of wealth and influence by the powerful is

accepted. OD interventions that focus on social processes and employee empowerment are not favored naturally in this cultural context and consequently need to be modified to fit the situations.

Japanese and Korean organizations, such as Matsushita, Nissan, Toyota, Fujitsu, NEC, and Hyundai, provide good examples of how OD interventions can be tailored to this global setting. These firms are famous for continuous improvement and TQM practices; they adapt these interventions to fit the Asian culture. Roles and behaviors required to apply TQM are highly specified, thereby holding uncertainty to a relatively low level. Teamwork and consensus decision-making practices associated with quality improvement projects also help to manage uncertainty. When large numbers of employees are involved, information is spread quickly and members are kept informed about the changes taking place. Management controls the change process by regulating the implementation of suggestions made by the problem-solving groups. Because these interventions focus on work processes, teamwork and employee involvement do not threaten the power structure. Moreover, TQM and continuous improvement do not alter the organization radically but produce small, incremental changes that can add up to impressive gains in long-term productivity and cost reduction.

In these cultures, OD practitioners also tailor the change process itself to fit local conditions. Mexican companies, for example, expect OD practitioners to act as experts and to offer concrete advice on how to improve the organization. To be successful, OD practitioners need sufficient status and legitimacy to work with senior management and to act in expert roles.[29] Status typically is associated with academic credentials, senior management experience, high-level titles, or recommendations by highly placed executives and administrators. As might be expected, the change process in Latin America is autocratic and driven downward from the top of the organization. Subordinates or lower-status people generally are not included in diagnostic or implementation activities because inclusion might equalize power differences and threaten the status quo. Moreover, cultural norms discourage employees from speaking out or openly criticizing management. There is relatively little resistance to change because employees readily accept changes dictated by management.

In Asia, OD is an orderly process, driven by consensus and challenging performance goals. Organizational changes are implemented slowly and methodically, so trust builds and change-related uncertainty is reduced. Changing too quickly is seen as arrogant, divisive, and threatening. At the China Association for the International Exchange of Personnel, the move from a government bureau to a "market-facing" organization has been gradual but consistent. Managers have been encouraged to contact more and more foreign organizations, to develop relationships and contracts, and to learn marketing and organization development skills. Because Asian values promote a cautious culture that prizes consensus, dignity, and respect, OD tends to be impersonal and to focus mainly on work-flow improvements. Human process issues are rarely addressed because people are expected to act in ways that do not cause others to "lose face" or to bring shame to the group.

Application 23.1 describes an action research project in China designed to increase the capacity of human resource and training departments. The OD practitioners, who were from Switzerland, and the participants report on the learnings they had as a result of the program. As you look at the design and implementation of the program, what do you see as the pros and cons of their work?[30]

High Cultural Fit, High Industrialization This last setting includes industrialized countries with cultural contexts that fit well with traditional OD values. Much of the OD practice described in this book was developed in these situations, particularly in the United States.[31] To extend our learning, we will focus on how OD is practiced in other nations in this global setting, including the Scandinavian countries—Sweden, Norway,

Modernizing China's Human Resource Development and Training Functions

The economic, political, and cultural changes sweeping through the People's Republic of China (PRC) are complex in both scope and breadth. China has evolved from an isolated and underdeveloped country to an economic growth engine. Since 1979, China's GDP has more than quadrupled as a result of its transition to a "market-facing" economy. Despite clear intentions to conduct the transition in ways that honor, support, and reinforce the Chinese culture, balancing these changes has not been easy. For example, the 70,000 state-owned enterprises have been forced to reinvent themselves through financial restructuring, massive downsizings, and upgrading the competencies of their employees. In the mid-1990s, the capability to manage the human resource consequences of breaking up the old work units, downsizing various parts of the organization, and developing managers just didn't exist inside the country. China's training and human resource development departments were ill prepared to respond to these demands. As a context for OD, China represents a set of cultural values that are very different from Europe and North America.

In an effort to assist in the development of China's human resource development capacity, OD practitioners from the Center for Socio-Eco-Nomic Development (CSEND) in Switzerland were called in to act as technical advisors to a unit of the Chinese Communist Party's (CCP) Organization Department. A separate training institute called the China Training Centre for Senior Personnel Management Officials (CTCSPMO) was established and initial institution building efforts were financed by the United Nations Development Program (UNDP).

One output of the CTCSPMO was the Sino-Swiss bilateral project (SSBP), a program designed to increase the institutional capacity of Chinese public administrators to manage change. The strategy was to work with a small group of experienced training managers and trainers to apply the concepts and techniques of modern management training and organization development. The Chinese participants were to form the vanguard of a new generation of Chinese public management trainers and HRD managers and to act as a catalyst in bringing about the institutional development of their respective organizations.

In designing the program, the Chinese and Swiss partners had to ensure that the skills and knowledge of human resource and organization development would be transferred not only to the participants but also to the administrative systems and training institutions involved in the program. Based on observations and interviews with Chinese government officials, communist party members, faculty members at different Chinese educational institutions, and training and human resource managers in Chinese organizations, the OD practitioners recommended a combination of *action learning* (AL) and *action research* (AR) methods. AR and AL were seen as appropriate techniques because they had not been tried before in China, offered viable tools for developing internal capacity for continuous improvement and for systemwide multilevel intervention, and were centrally concerned with transferring capacity to the client system. These action-based approaches constituted a pioneering attempt of international know-how transfer.

During the initial preparatory phase between September 1993 and March 1994, the 60 selected participants were given intensive English-language courses. Then, beginning in March 1994, the program began with a series of "programmed learning" workshops followed by a "workplace application" experience. The cycle of programmed learning and workplace application was then repeated. Following each workplace application period, a conference was organized to review the project work and its findings, to exchange experiences, and to reflect on the learnings generated. The two cycles were completed in December 1996.

The programmed learning workshops covered 10 different topic areas, such as comparative public administration, human resource management, organizational theory and development, adult learning theories and methods, and training management. These topics were taught in the classrooms by foreign experts in Beijing. The workplace application projects involved creating groups of participants from similar provincial areas or functional responsibilities to address actual human resource, training and

development, or organizational change issues. The project organization consulted with the Chinese partner organization, CTCSPMO, to approve a variety of learning projects, including the redesign of a management development program for senior party officials in Beijing, developing a training program for managers guiding large infrastructure projects, and research on human resources and motivation practices in state-owned enterprises.

In addition to the project work, the workplace application groups were instructed to meet every two weeks either face-to-face or by phone. Practically, most of the meetings were by phone due to physical distance. The purpose of these meetings was to reflect on the project's progress, review how topics from the learning workshop were being applied, and to capture personal learnings. The participants were also asked to keep a journal and the group was assigned a facilitator to work with them.

In reviewing the first two rounds of learning and action, several observations were made. First, the Chinese participants learned:

- to participate actively in the learning process and take responsibility for the relevance of their learning;
- to redefine the role of a "good" trainer/teacher;
- to question each other and the trainer/teacher's statements as "facts," "opinion," or "truth";
- to challenge the widely held belief that "the bird who raise its head will be shot first"; and
- to perceive the social process and group dynamics of learning as beneficial, not chaotic or lacking discipline.

In addition, the OD practitioners learned:

- to question and to reflect on their own assumptions concerning Chinese culture, organizations, human relations, and management theories;
- to confront their own cultural biases in a foreign environment that had its own logic in getting things done;
- to find ways to work as a team with the Chinese facilitators, who had different ways of relating;
- to refrain from assuming responsibility for the Chinese partners;
- to facilitate rather than dominate; and
- to sustain the interest and commitment of the CTCSPMO and facilitators to the action research and action learning approach.

Reactions from different stakeholders, including the Deputy Directors of the provincial organization department of the CCP, the Deputy Commissioner of the State Commission of the Nationalities, the Academic Dean of the Central Party School, and the Directors of Training of the Ministry of Personnel and the State Economic and Trade Commission, were in general positive. They found the results of the action research informative and the recommended solutions helpful. A reportedly high rate of project recommendation implementation was later verified by a team of international independent reviewers, and a final project evaluation conducted in October 1997 confirmed the initial positive assessment.

The SSBP program allowed the Chinese government and the CCP to acquire cutting edge know-how in management development and training. At the same time, they were able to review the various training programs being provided for senior government officials, enterprise executives, and party officials in China. Based on the findings from action learning projects, the training department of the CCP revised their training requirements, adjusted their training approach, and added more skill-based topics to the curriculum.

Finland, and Denmark—and countries with a strong British heritage, such as Great Britain, Northern Ireland, Australia, and New Zealand.

Scandinavians enjoy a high standard of living and strong economic development. Because their cultural values most closely match those traditionally espoused in OD, organizational practices are highly participative and egalitarian. OD practice tends to mirror these values. Multiple stakeholders, such as managers, unionists, and staff

personnel, actively are involved in all stages of the change process, from entry and diagnosis to intervention and evaluation. This level of involvement is much higher than that typically occurring in the United States. It results in a change process that is heavily oriented to the needs of shop-floor participants. Norwegian labor laws, for example, give unionists the right to participate in technological innovations that can affect their work lives. Such laws also mandate that all employees in the country have the right to enriched forms of work.

Given this cultural context, it is not surprising that Scandinavian companies pioneered sociotechnical interventions to improve productivity and quality of work life. Sweden's Saab and Volvo restructured automobile manufacturing around self-managed work groups. Denmark's Patent Office and Norway's Shell Oil demonstrated how union–management cooperative projects can enhance employee involvement throughout the organization. In many cases, national governments were involved heavily in these change projects by sponsoring industrywide improvement efforts. The Norwegian government, for example, was instrumental in introducing industrial democracy to that nation's companies. It helped union and management in selected industries implement pilot projects to enhance productivity and quality of work life. The results of these sociotechnical experiments were then diffused throughout the Norwegian economy. In many ways, the Scandinavian countries have gone further than other global regions in linking OD to national values and policies.

Countries associated with the United Kingdom tend to have values consistent with a low-context orientation, moderate to high individualism and achievement orientation, and moderate to low power distance and uncertainty avoidance. This cultural pattern results in personal relationships that often seem indirect to Americans. For example, a British subordinate who is told to think about a proposal is really being told that the suggestion has been rejected. These values also promote organizational policies that are steeped in formality, tradition, and politics. The United Kingdom's long history tends to reinforce the status quo, and consequently resistance to change is high.

OD practice in the United Kingdom parallels the cultural pattern described above. In Great Britain, for example, sociotechnical systems theory was developed by practitioners at the Tavistock Institute of Human Relations.[32] Applications such as self-managed work groups, however, have not readily diffused within British organizations. The individualistic values and inherently political nature of this culture tend to conflict with interventions emphasizing employee empowerment and teamwork. In contrast, the Scandinavian cultures are far more supportive of sociotechnical practice and have been instrumental in diffusing it worldwide.

The emergence of the European Union has served as a catalyst for change in many organizations. Companies such as Akzo Nobel, Unilever, BMW, and Credit Lyonnais are actively engaged in strategic change interventions. At L'Oreal, CEO Lindsay Owen-Jones implemented an aggressive strategy of acquiring and integrating cosmetic firms, driving the international business, and building its brand.[33] More limited interventions, such as team building, conflict resolution, and work redesign, are being carried out in such organizations as Carrefour and British Telecom.

WORLDWIDE ORGANIZATION DEVELOPMENT

An important trend facing many business firms is the emergence of a global marketplace. Driven by competitive pressures, lowered trade barriers, and advances in information technologies, the number of companies offering products and services in multiple countries is increasing rapidly. The organizational growth and complexity associated with managing worldwide operations is challenging. Executives must choose appropriate strategic orientations for operating across cultures and geographical

locations, and under diverse governmental and environmental requirements. They must be able to adapt corporate policies and procedures to a range of local conditions. Moreover, the tasks of controlling and coordinating operations in different nations place heavy demands on information and control systems and on managerial skills and knowledge.

Worldwide organization development applies to organizations that are operating across multiple geographic and cultural boundaries. This contrasts with OD in organizations that operate outside the United States but within a single cultural and economic context. This section describes the emerging practice of OD in worldwide organizations, a relatively new but important area of planned change.

Worldwide Strategic Orientations

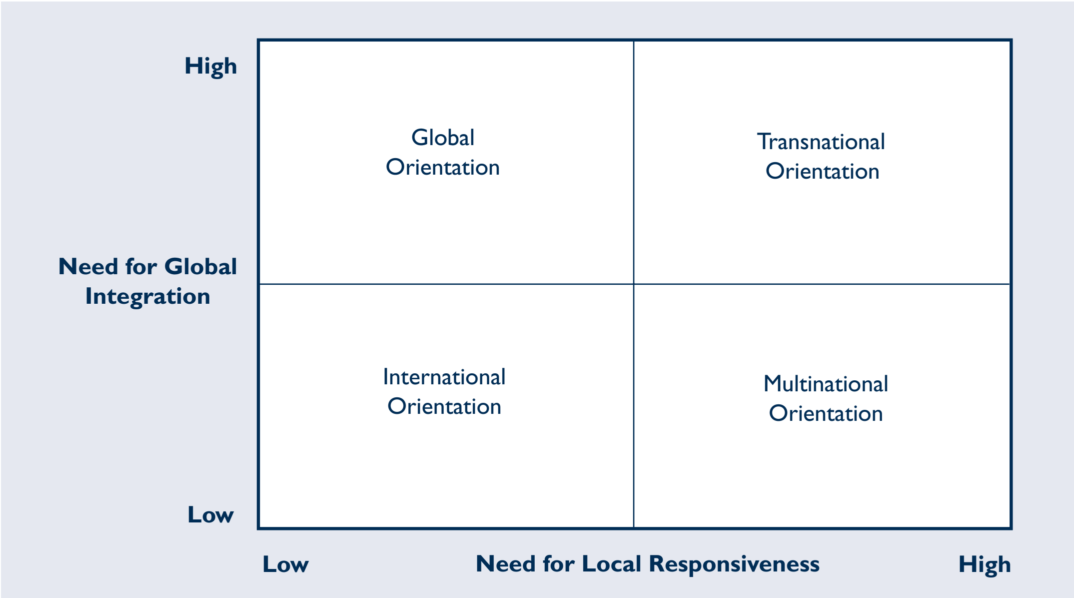
Worldwide organizations can be defined in terms of three key facets.[34] First, they offer products or services in more than one country and actively manage substantial direct investments in those countries. Consequently, they must relate to a variety of demands, such as unique product requirements, tariffs, value-added taxes, governmental regulations, transportation laws, and trade agreements. Second, worldwide firms must balance product and functional concerns with geographic issues of distance, time, and culture. American tobacco companies, for example, face technological, moral, and organizational issues in determining whether to market cigarettes in less-developed countries, and if they do, they must decide how to integrate manufacturing and distribution operations on a global scale. Third, worldwide companies must carry out coordinated activities across cultural boundaries using a wide variety of personnel, including expatriates, short-term and extended business travelers, and local employees. Workers with different cultural backgrounds must be managed in ways that support the overall goals and image of the organization.[35] The company must therefore adapt its human resources policies and procedures to fit the culture and accomplish operational objectives. From a managerial perspective, selecting executives to head foreign operations is an important decision in worldwide organizations.

How these three facets of products/services, organization, and personnel are arranged enable firms to compete in the global marketplace.[36] Worldwide organizations can offer certain products or services in some countries and not in others; they can centralize or decentralize operations; and they can determine how to work with people from different cultures. Despite the many possible combinations of characteristics, researchers have found that two dimensions are useful in guiding decisions about choices of strategic orientation.

As shown in Figure 23.2, managers need to assess two key success factors: the degrees to which there is a need for global integration or for local responsiveness. *Global integration* refers to whether or not business success requires tight coordination of people, plants, equipment, products, or service delivery on a worldwide basis. For example, Intel's "global factory" designs chips in multiple countries, manufactures the chips in a variety of locations around the world, assembles and tests the finished products in different countries, and then ships the chips to customers. All of this activity must be coordinated carefully. *Local responsiveness*, on the other hand, is the extent to which business success is dependent on customizing products, services, support, packaging, and other aspects of operations to local conditions. Based on that information, worldwide organizations generally implement one of four types of strategic orientations: international, global, multinational, or transnational. Table 23.2 presents these orientations in terms of the diagnostic framework described in Chapter 5. Each strategic orientation is geared to specific market, technological, and organizational requirements. OD interventions that support each orientation are also included in Table 23.2.

[Figure 23.2]

The Integration-Responsiveness Framework



The International Strategic Orientation

The international orientation exists when the key success factors of global integration and local responsiveness are low. This is the most common label given to organizations making their first attempts at operating outside their own country's markets. Success requires coordination between the parent company and the small number of foreign sales and marketing offices in chosen countries. Similarly, local responsiveness is low because the organization exports the same products and services offered domestically. When an organization has decided to expand internationally, it has most often determined that:

- other country-markets appear to offer specific advantages large enough to exceed the tangible and intangible costs of implementing a new strategy,
- the organization's products, services, and value propositions are sufficiently powerful to counteract the initial disadvantages of operating in a foreign location, and
- the organizational capabilities exist to extract value from the foreign operations in excess of simpler contracting or licensing of the organization's technology, products, or services in the foreign location.[37]

Characteristics of the International Design The goal of the international orientation is to increase total sales by adding revenues from non-domestic markets. By using existing products/services, domestic operating capacity is extended and leveraged. As a result, most domestic companies will enter international markets by extending their product lines first into nearby countries and then expanding to more remote areas. For example, most U.S.-based companies first offer their products in Canada or Mexico. After a certain period of time, they begin to set up operations in other countries.

To support this goal and operations strategy, an "international division" is given responsibility for marketing, sales, and distribution, although it may be able to set up joint ventures, licensing agreements, distribution territories/franchises, and in some cases, manufacturing plants. The organization basically retains its original structure

[Table 23.2]

Characteristics and Interventions for Worldwide Strategic Orientations

WORLDWIDE STRATEGIC ORIENTATION	STRATEGY	STRUCTURE	INFORMATION SYSTEM	HUMAN RESOURCES	OD INTERVENTIONS
International	Existing products Goals of increased foreign revenues	Centralized international division	Loose	Volunteer	Cross-cultural training Strategic planning
Global	Standardized products Goals of efficiency through volume	Centralized, balanced, and coordinated activities Global product division	Formal	Ethnocentric selection	Career planning Role clarification Employee involvement Senior management team building Conflict management
Multinational	Tailored products Goals of local responsiveness through specialization	Decentralized operations; centralized planning Global geographic divisions	Profit centers	Regiocentric or polycentric selection	Intergroup relations Local management team building Management development Reward systems Strategic alliances
Transnational	Tailored products Goals of learning and responsiveness through integration	Decentralized, worldwide coordination Global matrix or network	Subtle, clan-oriented controls	Geocentric selection	Extensive selection and rotation Cultural development Intergroup relations Building corporat vision

and operating practices. The information system governing the division is typically looser, however. While expecting returns on its investment, the organization recognizes the newness of the venture and gives the international division some "free rein" to establish an international presence.

Finally, roles in the new international division are staffed with volunteers from the parent company, often with someone who has appropriate foreign language training, experience living overseas, or eagerness for an international assignment. Little training or orientation for the position is offered as the organization is generally unaware of the requirements for being successful in international business.

Implementing the International Orientation Changing from a domestic to an international organization represents an incremental shift in scope for most firms, and is typically handled as a simple extension of the existing strategy into new markets. Despite the logic of such thinking, the shift is neither incremental nor simple and OD can play an important role in making the transition smoother and more productive.

Strategic planning, technostructural, and human resource interventions can help to implement an international orientation. Managers can use integrated strategic change or an organization redesign process to design and manage the transition from the old strategic orientation to the new one. Environmental scans, competitor analyses, and market studies can be done to calibrate expectations about revenue goals and determine the levels of investment necessary to support the division. Team building and large-group interventions, such as search conferences, can aid the process through which senior executives gather appropriate information about international markets, distinctive competencies, and culture, and then choose a strategic orientation. Similarly, managers can apply technostructural interventions to design an appropriate organization structure, to define new tasks and work roles, and to clarify reporting relationships between corporate headquarters and foreign-based units. Based on these decisions, OD interventions can help the organization to implement the change.

Managers and staff can also apply human resources management interventions to train and prepare managers and their families for international assignments and to develop selection methods and reward systems relevant to operating internationally.[38] Since these are the organization's first experiences with international business, OD practitioners can alert key managers and potential candidates for the international assignments to the need for cultural training. Candidates can be directed to outsourced offerings on cross-cultural skills, local country customs, and legal/regulatory conditions. OD practitioners can also assist the human resource organization to design or modify existing compensation and benefits packages, or set up policies around housing, schooling, and other expenses associated with the relocation.

This initial movement into the international arena enables domestic organizations to learn about the demands of the global marketplace, thus providing important knowledge and experience with the requirements for success in more sophisticated strategies. OD practitioners should help the organization set up learning practices and communication systems so that information about international experiences are shared with others, especially senior managers.

The Global Strategic Orientation

This orientation exists when the need for global integration is high but the need for local responsiveness is low. The global orientation is characterized by a strategy of marketing standardized products in different countries. It is an appropriate orientation when there is little economic reason to offer products or services with special features or locally available options. Manufacturers of office equipment, consumer goods, computers and semiconductors, tires, and containers, for example, can offer the same basic product in almost any country.

Characteristics of the Global Design The goal of efficiency dominates this orientation. Production efficiency is gained through volume sales and a small number of large manufacturing plants, and managerial efficiency is achieved by centralizing product design, manufacturing, distribution, and marketing decisions. Global integration is supported by the close physical proximity of major functional groups and formal control systems that balance inputs, production, and distribution with worldwide demand. Many Japanese firms, such as Honda, Sony, NEC, and Matsushita, used this strategy in the 1970s and early 1980s to grow in the international economy. In Europe, Nestlé exploits economies of scale in marketing by advertising well-known brand names around the world. The

increased number of microwave and two-income families, for example, allowed Nestlé to push its Nescafé coffee and Lean Cuisine low-calorie frozen dinners to dominant market-share positions in Europe, North America, Latin America, and Asia. Similarly, a Korean noodle maker, Nong Shim Company, avoided the 1999 financial crisis by staying focused on efficiency. Yoo Jong Suk, Nong Shim's head of strategy, went against recommendations to diversify and stated, "All we want is to be globally recognized as a ramyon maker."[39]

In the global orientation, the organization tends to be centralized with a global product structure. Presidents of each major product group report to the CEO and form the line organization. Each of these product groups is responsible for worldwide operations. Information systems in global orientations tend to be quite formal with local units reporting sales, costs, and other data directly to the product president. The predominant human resources policy integrates people into the organization through ethnocentric selection and staffing practices. These methods seek to fill key foreign positions with personnel from the home country where the corporation headquarters is located.[40] Key managerial jobs at Volvo, Siemens, Nissan, and Michelin, for example, are often occupied by Swedish, German, Japanese, and French citizens, respectively. Ethnocentric policies support the global orientation because expatriate managers are more likely than host-country nationals to recognize and comply with the need to centralize decision making and to standardize processes, decisions, and relationships with the parent company. Although many Japanese automobile manufacturers have decentralized production, Nissan's global strategy has been to retain tight, centralized control of design and manufacturing, ensure that almost all of its senior foreign managers are Japanese, and have even low-level decisions emerge from face-to-face meetings in Tokyo.

Implementing the Global Orientation OD interventions can be used to refine and support the global strategic orientation as well as assist in the transition from an international orientation.

1. ***Planned Change in the Global Orientation.*** Several OD interventions support the implementation of this orientation. Career planning, role clarification, employee involvement, conflict management, and senior management team building help the organization achieve improved operational efficiency. For example, role clarification interventions, such as job enrichment or goal setting, and conflict management can formalize and standardize organizational activities. This ensures that each individual knows specific details about how, when, and why a job needs to be done. As a result, necessary activities are described and efficient transactions and relationships are created. Similarly, Intel has used training interventions to ensure consistent implementation of a variety of company-standard business practices, such as meeting protocols, performance management processes, and reporting accountability.

   Senior management team building can improve the quality of strategic decisions. Centralized policies make the organization highly dependent on this group and can exaggerate decision-making errors. In addition, interpersonal conflict can increase the cost of coordination or cause significant coordination mistakes. Process interventions at this level can help to improve the speed and quality of decision making and improve interpersonal relationships.

   Career planning can help home-country personnel develop a path to senior management by including foreign subsidiary experiences and cross-functional assignments as necessary qualifications for advancement. At the country level, career planning can emphasize that advancement beyond regional operations is limited for host-country nationals. OD can help here by developing appropriate

career paths within the local organization or in technical, non-managerial areas. Finally, employee empowerment can support efficiency goals by involving members in efforts at cost reduction, work standardization, and minimization of coordination costs.

2. ***The Transition to a Global Orientation.*** In addition to fine tuning this strategic orientation, OD can help the organization transition from an international to a global strategic orientation. The organization's experience with the international strategic orientation has helped to build basic knowledge and skills in international business. The successful transition to a global strategy assumes that managers believe global integration is more important than local responsiveness and that the organization has strong centralized operating capabilities. If either the assessment of key success factors or the organization's competencies are inaccurate, implementation will be more difficult and performance will suffer.

   The decision to favor global integration over local responsiveness must be rooted in a strong belief that the worldwide market is relatively homogenous in character. That is, products and services, support, distribution, or marketing activities can be standardized without negatively affecting sales or customer loyalty. This decision should not be made lightly, and OD practitioners can help to structure rigorous debate and analysis of this key success factor.

   In addition to information about the market, organizations must take into account their distinctive competencies when choosing a global strategy. The key organizational and operational competence necessary for success in a global strategy is the ability to coordinate a complex, worldwide organization. The global strategy is facilitated when culture and core competencies are more suited for centralized decision making, when the organization has experience with supply-chain management, and when it is comfortable with enterprise resource and material resource planning processes. Centralization favors a global orientation because the orientation favors tight, global coordination.

   Once companies develop a strategic orientation for competing internationally, they create an organization design to support it. Information like that found in Table 23.2 is useful for designing structures, information systems, and personnel practices for specific strategic orientations. OD practitioners can help to design change management programs to implement these features.

Application 23.2 describes how one organization faced the challenges of implementing a global strategy.[41] They tried to find the right balance between strong headquarters control and local responsiveness. The OD practitioner in the case describes her data, actions, and results. Would you do things differently?

The Multinational Strategic Orientation

This strategic orientation exists when the need for global integration is low, but the need for local responsiveness is high. It represents a strategy that is conceptually quite different from the global strategic orientation.

Characteristics of the Multinational Design A multinational strategy is characterized by a product line that is tailored to local conditions and is best suited to markets that vary significantly from region to region or country to country. At American Express, for example, charge card marketing is fitted to local values and tastes. The "Don't leave home without it" and "Membership has its privileges" themes seen in the United States had to be translated to "Peace of mind only for members" in Japan because of the negative connotations of "leaving home" and "privilege."[42]

The multinational orientation emphasizes a decentralized, global division structure. Each region or country is served by a divisional organization that operates autonomously

application 23.2

Implementing the Global Strategy: Changing the Culture of Work in Western China

China has a strong culture, but one that allows it, paradoxically, to assimilate other ideas and philosophies. For example, Buddhism was added to Confucianism during the heydays of the Silk Road and China has adapted to globalization quickly since it began market reforms in the early 1990s. For many firms entering China, the question is, Will China assimilate Western cultural ways from the multinational corporations that enter, or will they insist on a Chinese cultural process of doing business? This application describes the process one American technology company utilizing a global worldwide strategy used in opening a manufacturing plant in a western Chinese province. The story is told from the perspective of the internal OD consultant who was charged with plant start-up support.

In 2003, a major U.S. multinational broke ground for a new set of factories in the "second tier" Chinese city of Chengdu. A city of more than ten million people in Western China, Chengdu is correctly considered the heartland of Chinese culture with a strong tradition of Taoism and a relaxed, friendly culture. In contrast, the multinational technology company came to western China with a strong business-centered, "just get results," U.S. culture. While the organization had facilities all over the world, and several in China, it had not started-up a true greenfield plant as the first MNC in a city in more than ten years. In keeping with the firm's global strategy, the corporate headquarters expected each plant to integrate seamlessly with other plants in the supply chain. Low costs and meeting the technical specifications of the product were the key measures of performance.

The first time I saw the factory site in Chengdu it was bare dirt with the wind blowing dust over what had been a farmer's field. Even as the buildings came out of the ground—an office building, one factory and then another, a large warehouse, and a training center—the local culture of Chengdu was being challenged in the way it thought about safety. In China, construction projects have a traditional algorithm for safety: the millions of Yuan (the local currency) spent in construction was proportionate to the number of deaths resulting from it. This project was different. Not only were there no deaths, there were no injuries more serious than cut fingers. Subcontractors were required to wear hard hats, steel-toed shoes, goggles, and the like, and not everyone liked it. One subcontractor walked off the job believing the safety equipment was too burdensome.

About 30 expatriates were brought in to manage the site. They were experienced company employees from four different cultures: Malaysia, Philippines, Costa Rica, and the United States. Most were Malaysian; very few were American. The first local employees hired were support personnel in human resources, accounting, and purchasing. They were trained in their jobs in the way that the company expected them to work. The first Chinese factory workers were part of the Early Involvement Team (EIT), and they were sent to another of the company's factories to learn the correct processes and behaviors necessary to run the production lines. When the EIT returned, they were to teach the next generation of employees. While this training could be considered just learning the job, it was also a culture change for people who had never worked in a Western high-tech factory. Ramping up this factory to production required that we hire and integrate 100 to 200 people per month; 70% of those hired were recent college graduates.

As the OD manager, my job was to set up systems to transmit the culture and develop leaders, managers, and teams. I began with the site's Vision, Mission, and Guiding Principles. To help the team begin the process, I defined the Vision as "the best we could be," the Mission as "our marching orders—what the corporation expected of us" and Guiding Principles as "how we make decisions and treat each other." We utilized two off-site sessions with the "whole system in the room." Inclusive processes employing exercises and conversations about what was important to people were used to formulate beginning statements. After we had a set of draft statements, I formed small teams of Chinese leaders who debated the elements of Vision, Mission, and Guiding Principles. The teams came to consensus for each statement to ensure that both the English and

Chinese words we used reflected Chinese culture and spoke in a way that fit the Chinese thought processes. We unpacked each statement using Chinese metaphors to provide depth of meaning. Essentially, we were defining the site's specific culture, which while congruent with the corporation, was specific to this site and its chosen values. When completed, these statements went back to the site leadership for ratification. To disseminate the Vision, Mission, and Guiding Principles, each leader, whether expatriate or local Chinese, took responsibility to waterfall the message to their team using dialogues to explore the meaning of the statements for the team. It was not enough to have posters on the wall, or simply tell people what they were. People needed to talk through the meaning and come to some conclusion for themselves as to their own belief. Additionally, people needed to see that leadership practiced what they espoused. So, when an important site decision was made, its fit with the Guiding Principles was publicly communicated. When certain initiatives were begun, such as management training, it was tied to the site Vision. Only because people could see the Vision, Mission, and Guiding Principles in practice did they become real.

Before the first building was under construction, I came to Chengdu to do the initial cultural research for the site. I interviewed university students, business leaders, and Chinese cultural experts in Chengdu. I found a disparity between how the middle managers viewed management and leadership and what the young, university students wanted in a manager. As this was the first multinational organization in Chengdu, most of the middle managers we hired were from state-owned enterprises with a very top-down, hierarchical culture. The university students expected Western-style, consensual decision-making—a clear mismatch even within the Chinese culture. Management training and coaching would be required to help middle managers learn to work in a consensual way.

To accomplish that, we engaged the expatriate site leaders as teachers and mentors in a nine-month management development program that included two outdoor "adventure-style" sessions. The first program placed the initial outdoor session after four months of activities. I found that in the classroom, Chinese managers could "talk the talk," but when we put them in the team decision-making situations of the outdoor sessions, they were unable to make productive decisions. In the second management development program, I placed the outdoor session earlier so that the Chinese managers would understand the required managerial behaviors right away. We eventually graduated more than 50 managers with two-thirds of them receiving promotions within a year of completion.

The organization had a number of key espoused values in its culture, including quality, safety, and business practice excellence. These were primary and nonnegotiable values. While that may seem the arbitrary hubris of a foreign multinational, I found that the Chinese employees appreciated these three values, especially safety. As mentioned above, China has a poor record of workplace safety. When asked about this value, many people responded that "the company cares for my life." Rather than seeing it as an imposition of a foreign cultural value, they found it fit the Chinese value of *renqing* or human heartedness.

The company also employed six values as basic to its culture. However, these values were really expected behaviors, such as discipline, risk taking, and being open and direct. In my work in Chengdu, I designed and implemented a process to develop those values as part of the expected behaviors of the site. I had learned that "telling-teaching," or putting posters on the wall, was not very effective in this culture, so I engaged a cadre of volunteer "ambassadors" for each value. They used a positive approach of catching people "doing it right" and rewarding them in a public ceremony with a "Star of Chengdu Culture" award. To create a common understanding of each value, we again used an interactive and participative process. We provided materials that allowed and encouraged every manager to have a conversation with their team as to the meaning of that particular value. We endeavored to make the materials relevant to a Chinese audience using Chinese stories and situations to illustrate the meaning of the value.

However, not all these values fit within Chinese culture, and this created cultural dilemmas for Chinese employees. Being open and direct was one example of a value that did not fit. Generally, the organization talked about being open and direct in terms of "constructive confrontation," which the Chinese employees shortened to "con con." In my interviews, I found that this value was both the most difficult and the least practiced. The Chinese employees related con con to a lack of harmony rather than a method of solving problems directly and easily. It was antithetical to Chinese culture.

Chinese employees who learned to practice con con in the workplace found themselves out of step when those behaviors were used with their family and friends outside of the factory. Essentially they had to bifurcate their life, learning to be one way inside the organization and another way outside. When I asked people what they lost by coming to work at the factory, employees often noted that they had lost some friends because they were now different from the Chinese culture at large. Practicing con con was a big part of that. They also told me of many instances in which they appeared to the expatriates as though they were practicing con con, when in fact they were practicing harmony. They felt that harmony was a better long-term solution to the problem at hand than creating a situation in which fellow workers lost "face." They talked about finding a "middle way" to do business that allowed problem solving while still maintaining harmonious relationships.

If real cultural differences can keep people from assimilating into an organization, the question becomes, "Did these skilled Chinese workers actually assimilate into the factory culture, or did they simply appear to apply the organization's value system while maintaining traditional Chinese values?" While much of the work on Values, Mission, and Guiding Principles was well accepted and understood, the Chinese workers in this situation had difficulty placing con con into a usable framework that worked in their social setting because it did not align with the Chinese value of harmony. Since con con was a foundational behavior/value for the company, such a misfit reveals a lack of real assimilation into the corporate culture.

Some Chinese lament that China is losing her cultural traditions as the country becomes part of the global economy. At least in Chengdu, I did not find that to be true. People described themselves as traditional Chinese who practiced their own culture and struggled with those organizational processes that did not fit Chinese culture. They continued to look for the middle way that allows them to maintain their Chinese cultural values while moving into a capitalistic future. Just as China assimilated Buddhism into their Confucian practices millenniums ago, they see the value of assimilating some Western practices into their way of doing business, but it will still be capitalism with a Chinese face—a middle way.

and reports to headquarters. This results in a highly differentiated and loosely coordinated corporate structure. Operational decisions, such as product design, manufacturing, and distribution, are decentralized and tightly integrated at the local level. For example, laundry soap manufacturers offer product formulas, packaging, and marketing strategies that conform to the different environmental regulations, types of washing machines, water hardness, and distribution channels in each country. On the other hand, planning activities are often centralized at corporate headquarters to achieve important efficiencies necessary for worldwide coordination of emerging technologies and of resource allocation. A profit-center control system allows local autonomy as long as profitability is maintained. Examples of multinational corporations include Hoechst and BASF of Germany, IBM and Procter & Gamble of the United States, and Fuji Xerox of Japan. Each of these organizations encourages local subsidiaries to maximize effectiveness within their geographic region.

People are integrated into multinational firms through polycentric or regiocentric personnel policies because these firms believe that host-country nationals can understand native cultures most clearly.[43] By filling positions with local citizens who appoint and develop their own staffs, the organization aligns the needs of the market with the ability of its subsidiaries to produce customized products and services. The distinction between a polycentric and a regiocentric selection process is one of focus. In a

polycentric selection policy, a subsidiary represents only one country; in the regiocentric selection policy, a slightly broader perspective is taken and key positions are filled by regional citizens (that is, people who might be called Europeans, as opposed to Belgians or Italians).

Implementing the Multinational Orientation The decentralized and locally coordinated multinational orientation suggests the need for a complex set of OD interventions. When applied to a subsidiary operating in a particular country or region, the OD processes described earlier in the chapter for organizations outside the United States are relevant. The key is to tailor OD to fit the specific cultural and economic context where the subsidiary is located.

1. ***Planned Change in the Multinational Orientation.*** When OD is applied across different regions and countries, interventions must account for differences in cultural and economic conditions that can affect its success. Appropriate interventions for multinational corporations include intergroup relations, local management team building, sophisticated management selection and development practices, and changes to reward systems. Team building remains an important intervention. Unlike team building for the senior management team in global orientations, the local management teams require attention in multinational firms. This presents a challenge for OD practitioners because polycentric selection policies can produce management teams with different cultures at each subsidiary. Thus, a program developed for one subsidiary may not work with a different team at another subsidiary, given the different cultures that might be represented.

   Intergroup interventions to improve relations between local subsidiaries and the parent company are also important for multinational companies. Decentralized decision making and regiocentric selection can strain corporate–subsidiary relations. Local management teams, operating in ways appropriate to their cultural context, may not be understood by corporate managers from another culture. OD practitioners can help both groups understand these differences by offering training in cultural diversity and appreciation. They can also smooth parent–subsidiary relationships by focusing on the profit-center control system or other criteria as the means for monitoring and measuring subsidiary effectiveness.

   Management selection, development, and reward systems also require special attention in multinational firms. Managerial selection for local or regional subsidiaries requires finding technically and managerially competent people who also possess the interpersonal competence needed to interface with corporate headquarters. Because these people may be difficult to find, management development programs can teach the necessary cross-cultural skills and abilities. Such programs typically involve language, cultural awareness, and technical training; they can also include managers and staff from subsidiary and corporate offices to improve communications between the two areas. Finally, reward systems need to be aligned with the decentralized structure. Significant proportions of managers' total compensation could be tied to local profit performance, thereby aligning reward and control systems.
2. ***The Transition to Multinational.*** Organization development activities can also help to facilitate the transition from an international to a multinational orientation. Much of the recommended activity in transitioning to a global orientation applies here as well, except that it must be customized to the issues facing a multinational strategy. For example, the successful transition to a multinational strategy assumes that managers believe local responsiveness is more important than global integration and that the organization is comfortable with the ambiguity of managing decentralized operations.

The decision to favor local responsiveness over global integration must be made with the same analytic rigor described earlier. In this case, the analysis must support the belief that the worldwide market is relatively heterogeneous in character. That is, that products and services, support, distribution, or marketing activities must be customized and localized to drive overall sales. Similarly, the organization must have the managerial, technical, and organizational competence to achieve profit margins from businesses operating around the globe. The multinational strategy is facilitated when culture and core competencies are more suited for decentralized decision making, and when the organization can manage high amounts of ambiguity and complexity.

Once companies develop a strategic orientation for competing internationally, they create an organization design to support it. Information like that found in Table 23.2 is useful for designing structures, information systems, and personnel practices for specific strategic orientations. OD practitioners can help to design change management programs to implement these features.

The Transnational Strategic Orientation

This orientation exists when the need for global integration and local responsiveness are both high. It represents the most complex and ambitious worldwide strategic orientation and reflects the belief that any product or service can be made anywhere and sold everywhere.[44]

Characteristics of the Transnational Design The transnational strategy combines customized products with both efficient and responsive operations; the key goal is learning. This is the most complex worldwide strategic orientation because transnationals can manufacture products, conduct research, raise capital, buy supplies, and perform many other functions wherever in the world the job can be done optimally. They can move skills, resources, and knowledge to regions where they are needed.

The transnational orientation combines the best of global and multinational orientations and adds a third attribute—the ability to transfer resources both within the firm and across national and cultural boundaries. Otis Elevator, a division of United Technologies, developed a new programmable elevator using six research centers in five countries: a U.S. group handled the systems integration; Japan designed the special motor drives that make the elevators ride smoothly; France perfected the door systems; Germany created the electronics; and Spain produced the small-geared components.[45] Other examples of transnational firms include General Electric, Asea Brown Boveri (ABB), Motorola, Electrolux, and HP.

Transnational firms organize themselves into global matrix and network structures especially suited for moving information and resources to their best use. In the matrix structure, local divisions similar to the multinational structure are crossed with product groups at the headquarters office. The network structure treats each local office, including headquarters, product groups, and production facilities, as self-sufficient nodes that coordinate with each other to move knowledge and resources to their most valued place. Because of the heavy communication and logistic demands needed to operate these structures, transnationals have sophisticated information systems. State-of-the-art information technology is used to move strategic and operational information throughout the system rapidly and efficiently. Organizational learning and knowledge management practices (Chapter 21) gather, organize, and disseminate the knowledge and skills of members who are located around the world.

People are integrated into transnational firms through a geocentric selection policy that staffs key positions with the best people, regardless of nationality.[46] This staffing practice recognizes that the distinctive competence of a transnational firm is its capacity to optimize

resource allocation on a worldwide basis. Unlike global and multinational firms, which spend more time training and developing managers to fit the strategy, the transnational firm attempts to hire the right person from the beginning. Recruits at any of HP's foreign locations, for example, are screened not only for technical qualifications but for personality traits that match the company's cultural values.

Implementing the Transnational Orientation There are two perspectives on change in a transnational strategy.

1. ***Planned Change in the Transnational Orientation.*** Transnational companies require OD interventions that can improve their ability to achieve efficient global integration under highly decentralized decision-making conditions. These interventions include extensive management selection and development practices in support of the geocentric policies described above, intergroup relations, and development and communication of a strong corporate vision and culture. Knowledge management interventions help develop a worldwide repository of information that enables members' learning.

   Effective transnational firms have well-developed vision and mission statements that communicate the values and beliefs underlying the firm's culture and guide its operational decisions. ABB's mission statement, for example, went through a multicultural rewriting when the company recognized that talking about profit was an uncomfortable activity in some cultures.[47] OD processes that increase member participation in the construction or modification of these statements can help members gain ownership of them. Research into the development of corporate credos at the British computer manufacturer ICL, SAS, and Apple Computer showed that success was more a function of the heavy involvement of many managers than the quality of the statements themselves.[48]

   Once vision and mission statements are crafted, management training can focus on clarifying their meaning, the values they express, and the behaviors required to support those values. This process of gaining shared meaning and developing a strong culture provides a basis for social control. Because transnationals need flexibility and coordination, they cannot rely solely on formal reports of sales, costs, or demand to guide behavior. This information often takes too much time to compile and distribute. Rather, the corporate vision and culture provide transnational managers with the reasoning and guidelines for why and how they should make decisions.

   This form of social control supports OD efforts to improve management selection and development, intergroup relationships, and strategic change. The geocentric selection process can be supplemented by a personnel policy that rotates managers through different geographical regions and functional areas to blend people, perspectives, and practices. At such organizations as GE, ABB, Coca-Cola, and Colgate, a cadre of managers with extensive foreign experience is being developed. Rotation throughout the organization also improves the chances that when two organizational units must cooperate, key personnel will know each other and make coordination more likely. The corporate vision and culture can also become important tools in building cross-functional or interdepartmental processes for transferring knowledge, resources, or products. Moreover, they can provide guidelines for formulating and implementing strategic change, and serve as a social context for designing appropriate structures and systems at local subsidiaries.
2. ***The Transition to the Transnational Orientation.*** In addition to implementing planned changes that support the development of the transnational orientation, OD can help firms make the complex transition to a transnational strategy. Although many firms take on the international orientation, a much smaller

number of firms are large enough to become global or multinational. The requirements for successfully operating a transnational orientation—global integration and local responsiveness—are sufficiently restrictive and demanding that only a small fraction of organizations should pursue this strategy. As a result, knowledge about the transition to transnational is still being developed.

Global and multinational organizations tend to evolve into a transnational orientation because of changes in the organization's environment, markets, or technologies.[49] In the global orientation, for example, environmental changes can challenge the logic of centralized and efficient operations. For example, the success of Japanese automobile manufacturers employing a global strategy caused employment declines in the U.S. auto industry and overall trade imbalances. Consumer and government reactions forced Japanese firms to become more responsive to local conditions. Conversely, consumer preference changes can reduce the needs for tailored products and locally responsive management that are characteristic of the multinational strategy. The typical response is to centralize many decisions and activities.

Thus, the evolution to a transnational orientation is a complex strategic change effort requiring the acquisition of two additional capabilities. First, global organizations need to learn to trust distant operations, and multinational organizations need to become better at coordination. Second, both types of organizations need to acquire the ability to transfer resources efficiently around the world. Much of the difficulty in evolving to a transnational strategy lies in developing these additional capabilities.

In the transition from a global to a transnational orientation, the firm must acquire the know-how to operate a decentralized organization and learn to transfer knowledge, skills, and resources among disparate organizational units operating in different countries. In this situation, the administrative challenge is to encourage creative over centralized thinking and to let each functional area operate in a way that best suits its context. For example, if international markets require increasingly specialized products, then manufacturing needs to operate local plants and flexible delivery systems that can move raw materials to where they are needed, when they are needed. OD interventions that can help this transition include training efforts that increase the tolerance for differences in management practices, control systems, performance appraisals, and policies and procedures; reward systems that encourage entrepreneurship and performance at each foreign subsidiary; and efficient organization designs at the local level.

The global orientation strives to achieve efficiency through centralization and standardization of products and practices. In the case of organizational systems, this works against the establishment of highly specialized and flexible policies and resists the movement of knowledge, skills, and resources. Training interventions that help managers develop an appreciation for the different ways that effectiveness can be achieved will aid the global organization's move toward transnationalism.

Changes in reward systems can also help the global firm evolve. By changing from a highly quantitative, centralized, pay-for-performance system characteristic of a global orientation, the organization can reward people who champion new ideas and provide incentives for decentralized business units. This more flexible reward system promotes coordination among subsidiaries, product lines, and staff groups. In addition, the transition to a transnational orientation can be aided by OD practitioners working with individual business units, rather than with senior management at headquarters. Working with each subsidiary on issues relating to its own structure and function sends an important message about the importance of decentralized operations.

Finally, changing the staffing policy is another important signal to organization members that a transition is occurring. Under the global orientation, an ethnocentric policy supported standardized activities. By staffing key positions with the best people, rather than limiting the choice to just parent-country individuals, the symbols of change are clear and the rewards for supporting the new orientation are visible.

In moving from a multinational to a transnational orientation, products, technologies, and regulatory constraints can become more homogeneous and require more efficient operations. The competencies required to compete on a transnational basis, however, may be located in many different geographic areas. The need to balance local responsiveness against the need for coordination among organizational units is new to multinational firms. They must create interdependencies among organizational units through the flow of parts, components, and finished goods; the flow of funds, skills, and other scarce resources; or the flow of intelligence, ideas, and knowledge. For example, as part of Ford's transition to a transnational company, the redesign of the Tempo automobile was given to one person in the UK. He coordinated all features of the new car for both sides of the Atlantic and used the same platform, engines, and other parts. Ford used teleconferencing and computer links, as well as extensive air travel, to manage the complex task of meshing car companies on two continents.[50]

In such situations, OD is an important activity because complex interdependencies require sophisticated and nontraditional coordinating mechanisms.[51] OD interventions, such as intergroup team-building or cultural awareness and interpersonal skills training, can help develop the communication linkages necessary for successful coordination. In addition, the inherently "matrixed" structures of worldwide firms and the cross-cultural context of doing business in different countries tend to create conflict. OD interventions, such as role clarification, third-party consultation, and mediation techniques, can help to solve such problems.

The transition to a transnational firm is difficult and threatens the status quo. Under the multinational orientation, each subsidiary is encouraged and rewarded for its creativity and independence. Transnational firms, however, are effective when physically or geographically distinct organizational units coordinate their activities. The transition from independent to interdependent business units can produce conflict as the coordination requirements are worked through. OD practitioners can help mitigate the uncertainty associated with the change by modifying reward systems to encourage cooperation and spelling out clearly the behaviors required for success.

GLOBAL SOCIAL CHANGE

The newest and perhaps most exciting applications of organization development in international settings are occurring in global social change organizations (GSCOs).[52] These organizations generally are not for profit and nongovernmental. They typically are created at the grassroots level to help communities and societies address such important problems as unemployment, race relations, sustainable development, homelessness, hunger, disease, and political instability. In international settings, GSCOs are heavily involved in the developing nations. Examples include the World Conservation Union (IUCN), the Hunger Project, the Nature Conservancy, the Mountain Forum, International Physicians for the Prevention of Nuclear War, and the Asian Coalition for Agrarian Reform and Rural Development (ANGOC). Many practitioners who help create and develop these GSCOs come from an OD background and have adapted their expertise to fit highly complex, global situations. This section describes global social change organizations and how OD is practiced in them.

Global Social Change Organizations

Global social change organizations are part of a social innovation movement to foster the emergence of a global civilization.[53] They exist under a variety of names, including development organizations (DOs), international nongovernmental organizations (INGOs), social movement organizations (SMOs), international private voluntary organizations, and bridging organizations.[54] They exist to address complex social problems, including overpopulation, ecological degradation, the increasing concentration of wealth and power, the lack of management infrastructures to facilitate growth, and the lack of fundamental human rights. The efforts of many GSCOs to raise awareness and mobilize resources toward solving these problems culminated in the United Nations' Conference on Environment and Development in Rio de Janeiro in June 1992, where leaders from both industrialized and less-developed countries met to discuss sustainable development.[55] More recently, the Kyoto Protocol and the Global Compact have focused attention on global warming and social responsibility and how countries and organizations can cooperate to address these concerns.

GSCOs have the following characteristics:[56]

- They assert, as their primary task, a commitment to serve as an agent of change in creating environmentally and socially sustainable world futures; their transformational missions are articulated around the real needs of people and the earth.
- They have discovered and mobilized innovative social-organizational architectures that make possible human cooperation across previously polarizing or arbitrarily constraining boundaries.
- They hold values of empowerment, or people-centered forms of action, in the accomplishment of their global change mission, emphasizing the central role of people as both means and ends in any development process.
- They are globally and locally linked in structure, membership, or partnership and thereby exist, at least in identity and practice (maybe not yet legally), as entities beyond the nation-state.
- They are multiorganizational and often cross-sectoral. They can be business, governmental, or not for profit. Indeed, many of the most significant global change organizing innovations involve multiorganization partnerships bridging sectoral boundaries in new hybrid forms of business, intergovernmental, and private voluntary sectors.

GSCOs therefore differ from traditional for-profit firms on several dimensions.[57] First, they typically advocate a mission of social change—the formation and development of better societies and communities. "Better" typically means more just (Amnesty International, Hunger Project), peaceful (International Physicians for the Prevention of Nuclear War), or ecologically conscious (Nature Conservancy, the Global Village of Beijing, the Mountain Forum, IUCN, World Wildlife Fund). Second, the mission is supported by a network structure. Most GSCO activity occurs at the boundary or periphery between two or more organizations.[58] Unlike most industrial firms that focus on internal effectiveness, GSCOs are directed at changing their environmental context. For example, World Vision coordinated the efforts of more than a hundred organizations to address the human consequences of Ceausescu's Romanian government. Third, GSCOs generally have strong values and ideologies that justify and motivate organization behavior. These "causes" provide intrinsic rewards to GSCO members and a blueprint for action.[59] The ideological position that basic human rights include shelter has directed Habitat for Humanity to erect low-cost homes in a wide variety of underdeveloped communities. Fourth, GSCOs interact with a broad range of external and often conflicting constituencies. To help the poor, GSCOs often must work with

the rich; to save the ecology, they must work with developers; to empower the masses, they must work with the powerful few. This places a great deal of pressure on GSCOs to reconcile pursuit of a noble cause with the political reality of power and wealth. Fifth, managing these diverse external constituencies often creates significant organizational conflict. On the one hand, GSCOs need to create specific departments to serve and represent particular stakeholders. On the other hand, they are strongly averse to bureaucracy and desire collegial and consensus-seeking cultures. The conflicting perspectives of the stakeholders, the differentiated departments, and the ideological basis of the organization's mission can produce a contentious internal environment. For example, the International Relief and Development Agency was created to promote self-help projects in Third World countries using resources donated from First World countries. As the agency grew, departments were created to represent different stakeholders: a fund-raising group handled donors, a projects department worked in the Third World, a public relations department directed media exposure, and a policy information department lobbied the government. Each department adapted to fit its role. Fund-raisers and lobbyists dressed more formally, took more moderate political positions, and managed less participatively than did the projects departments. These differences were often interpreted in political and ideological terms, creating considerable internal conflict.[60] Sixth, GSCO membership often is transitory. Many people are volunteers, and the extent and depth of their involvement varies over time and by issue. Turnover is quite high.

Application Stages

Global social change organizations are concerned with creating sustainable change in communities and societies. This requires a form of planned change in which the practitioner is heavily involved, many stakeholders are encouraged and expected to participate, and "technologies of empowerment" are used. Often referred to as "participatory action research,"[61] planned change in GSCOs typically involves three types of activities: building local organization effectiveness, creating bridges and linkages with other relevant organizations, and developing vertical linkages with policymakers.

Building the Local Organization Although GSCOs are concerned primarily with changing their environments, a critical issue in development projects is recognizing the potential problems inherent in the GSCO itself. Because the focus of change is their environment, members of GSCOs are often oblivious to the need for internal development. Moreover, the complex organizational arrangements of a network make planned change in GSCOs particularly challenging.

OD practitioners focus on three activities in helping GSCOs build themselves into viable organizations: using values to create the vision, recognizing that internal conflict is often a function of external conditions, and understanding the problems of success. For leadership to function effectively, the broad purposes of the GSCO must be clear and closely aligned with the ideologies of its members. Singleness of purpose can be gained from tapping into the compelling aspects of the values and principles that the GSCO represents. For example, the Latin American Division of the Nature Conservancy held annual two-day retreats. Each participant prepared a white paper concerning his or her area of responsibility: the issues, challenges, major dilemmas or problems, and ideas for directions the division could take. Over the course of the retreat, participants actively discussed each paper. They had broad freedom to challenge the status quo and to question previous decisions. By the end of the retreat, discussions produced a clear statement about the course that the division would take for the following year. People left with increased clarity about and commitment to the purpose and vision of the division.[62]

Developing a shared vision can align individual and organizational values. Because most activities occur at the boundary of the organization, members are often spread out geographically and are not in communication with each other. A clearly crafted vision allows people in disparate regions and positions to coordinate their activities. At the Hunger Project, for example, OD practitioners asked organization members, "What is your job or task in this organization?" The GSCO president responded, "That is simple. My work is to make the end of hunger an idea whose time has come." A receptionist answered, "My task in this organization is to end hunger. I don't just answer phones or set up meetings. In everything I do, I am working to end hunger."[63] Because of the diverse perspectives of the different stakeholders, GSCOs often face multiple conflicts. In working through them, the organizational vision can be used as an important rallying point for discovering how each person's role contributes to the GSCO's purpose. The affective component of a GSCO vision gives purpose to members' lives and work.

Another way to manage conflict is to prevent its occurrence. At the Hunger Project, the "committed listener" and "breakthrough" processes give GSCO members an opportunity to seek help before conflict becomes dysfunctional. Every member of the organization has a designated person who acts as a committed listener. When things are not going well, or someone is feeling frustrated in their ability to accomplish a goal, they can talk it out with this colleague. The role of the committed listener is to listen intently, to help the individual understand the issues, and to think about framing or approaching the problem in new ways. This new perspective is called a "breakthrough"—a creative solution to a potentially conflictual situation.

Finally, a GSCO's success can create a number of problems. The very accomplishment of its mission can take away its reason for existence, thus causing an identity crisis. For example, a GSCO that succeeds in creating jobs for underprivileged youth can be dissolved because its funding is redirected toward organizations that have not yet met their goals, because its goals change, or simply because it has accomplished its purpose. During these times, the vital social role that these organizations play needs to be emphasized. GSCOs often represent bridges between the powerful and powerless, between the rich and poor, and between the elite and oppressed, and as such may need to be maintained as legitimate parts of the community.

Another problem can occur when GSCO success produces additional demands for greater formalization. New people must be hired and acculturated; greater control over income and expenditures has to be developed; new skills and behaviors have to be learned. The need for more formal systems often runs counter to ideological principles of autonomy and freedom and can produce a profound resistance to change. Employees' participation during diagnosis and implementation can help them commit to the new systems. In addition, new employment opportunities, increased job responsibilities, and improved capabilities to carry out the GSCO's mission can be used to encourage commitment and reduce resistance to the changes.

Alternatively, the organization can maintain its autonomy through structural arrangements. The Savings Development Movement (SDM) of Zimbabwe was a grassroots effort to organize savings clubs, the proceeds of which helped farmers buy seed in volume. Its success in creating clubs and helping farmers lower their costs caused the organization to grow very rapidly. Leaders chose to expand SDM not by adding staff but by working with the Ministry of Agriculture to provide technical support to the clubs and with the Ministry of Community Development and Women's Affairs to provide training. The savings clubs remained autonomous and locally managed. This reduced the need for formal systems to coordinate the clubs with government agencies. The SDM office staff did not grow, but the organization remained a catalyst, committed to expanding participation rather than providing direct services.[64]

Creating Horizontal Linkages Successful social change projects often require a network of local organizations with similar views and objectives. Such projects as creating a civil society in China, turning responsibility for maintenance and control over small irrigation systems to local water users in Indonesia, or teaching leadership skills in South Africa require that multiple organizations interact. Consequently, an important planned change activity in GSCOs is creating strong horizontal linkages to organizations in the community or society where the development project is taking place. The China Brief (http://www.chinadevelopmentbrief.com), for example, publishes a newsletter describing the activities of different NGOs focused on environmental, child welfare, and other issues. Like-minded NGOs can then contact each other and support common interests. Similarly, GSCOs aimed at job development not only must recruit, train, and market potential job applicants but also must develop relationships with local job providers and government authorities. The GSCO must help these organizations commit to the GSCO's vision, mobilize resources, and create policies to support development efforts.

The ability of GSCOs to sustain themselves depends on establishing linkages with other organizations whose cooperation is essential to preserving and expanding their efforts. Unfortunately, members of GSCOs often view local government officials, community leaders, or for-profit organizations as part of the problem. Rather than interacting with these stakeholders, GSCOs often "protect" themselves and their ideologies from contamination by these outsiders. Planned change efforts to overcome this myopia are similar to the transorganizational development interventions discussed in Chapter 2. GSCO members are helped to identify, convene, and organize these key external organizations. For example, following the earthquakes in Mexico City in 1985, the Committee of Earthquake Victims was established to prevent the government and landlords from evicting low-income tenants from their destroyed housing. The committee formed relationships with other GSCOs concerned with organizing the poor or with responding to the disaster. The committee also linked up with local churches, universities, charitable organizations, and poor urban neighborhood organizations. It bargained with the government and appealed to the media to scuttle attempts at widespread eviction proceedings. This pressure culminated in agreement around a set of principles for reconstruction in Mexico City.[65]

Developing Vertical Linkages GSCOs also must create channels of communication and influence upward to governmental and policy-level decision-making processes. These higher-level decisions often affect the creation and eventual success of GSCO activities. For example, the Global Village of Beijing (GVB) is a nongovernmental organization that raises the environmental consciousness of people in China. GVB leveraged its relationships with journalists and the government to produce a weekly television series on government channels to discuss and promote environmentally friendly practices, such as recycling, and to expose the Chinese people to environmental projects in different countries. When the Chinese government proposed new environmental regulations and policies as part of the World Trade Organization admission process, GVB helped assess the proposals.[66] More recently, GVB's founder, Liao Xiaoyi, sat on Beijing's successful 2008 summer Olympics Committee and drafted a "green Olympics movement" proposal that addressed concerns about Beijing's pollution.[67]

Vertical linkages can also be developed by building on a strong record of success. The Institute of Cultural Affairs (ICA) is concerned with the "application of methods of human development to communities and organizations all around the world." With more than 100 offices in 39 nations, ICA trains and consults with small groups, communities, organizations, and voluntary associations, in addition to providing leadership training for village leaders, conducting community education programs, and running ecological preservation projects. Its reputation has led to recognition and credibility:

It was given consultative status by the United Nations in 1985, and it has category II status with the Food and Agriculture Organization, working relation status with the World Health Organization, and consultative status with UNICEF.

Application 23.3 describes the work of Floresta and gives a brief account of how the organization operates, including the process of change and development.[68] The opening of Floresta's Mexico program provides important clues about the development of vertical and horizontal linkages and how GSCOs work within a clear vision.

Change Agent Roles and Skills

Planned change in global social change organizations is a relatively new application of organization development in international settings. The number of practitioners is small but growing, and the skills and knowledge necessary to carry out OD in these situations are being developed. The grassroots, political, and ideological natures of many international GSCOs require change agent roles and skills that are quite different from those in more formal, domestic settings.[69] GSCO change agents typically occupy stewardship and bridging roles. The *steward* role derives from the ideological and grassroots activities associated with GSCOs. It asks the change agent to be a co-learner or co-participant in achieving global social change. This type of change is "sustainable," or ecologically, politically, culturally, and economically balanced. Change agents must, therefore, work from an explicit value base that is aligned with GSCO activities. For example, change agents are not usually asked, "What are your credentials to carry out this project?" Instead, practitioners are asked, "Do you share our values?" or "What do you think of the plight of the people we are serving?" Stewardship implies an orientation toward the development of sustainable solutions to local and global problems.

The second role, *bridging*, derives from the grassroots and political activities of many GSCOs. Bridging is an appropriate title for this role because it metaphorically reflects the core activities of GSCOs and the change agents who work with them. Both are mainly concerned with connecting and integrating diverse elements of societies and communities toward sustainable change, and with transferring ideas among individuals, groups, organizations, and societies.

Carrying out the steward and the bridging roles requires communication, negotiation, and networking skills. Communication and negotiation skills are essential for GSCO change agents because of the asymmetrical power bases extant in grassroots development efforts. GSCOs are relatively powerless compared with governments, wealthy upper classes, and formal organizations. Given the diverse social systems involved, there often is no consensus about a GSCO's objectives. Moreover, different constituencies may have different interests, and there may be histories of antagonism among groups that make promulgation of the development project difficult. The steward and the bridging roles require persuasive articulation of the GSCO's ideology and purpose at all times, under many conditions, and to everyone involved.

The change agent must also be adept at political compromise and negotiation.[70] Asymmetrical power contexts represent strong challenges for stewardship and bridging. To accomplish sustainable change, important trade-offs often are necessary. The effective change agent needs to understand the elements of the ideology that can and cannot be sacrificed and when to fight or walk away from a situation.

Networking skills represent a significant part of the action research process as applied in GSCO settings. Networking takes place at two levels. First, in the steward role, practitioners bring to the GSCO specific knowledge of problem solving, technologies of empowerment using processes that socially construct and make sense of the surrounding conditions, and organization design.[71] The participants bring local knowledge of political players, history, culture, and ecology. A "cogenerative dialogue" or "collective reflection" process emerges when these two frames of reference interact to produce new ideas,

Social and Environmental Change at Floresta

Floresta is a nongovernmental organization founded on the premise that many environmental and social problems can be addressed effectively by harnessing basic economic forces. Its mission is to attack the economic problems in developing countries that cause and are caused by deforestation. Deforestation can be stemmed if it is economically advantageous for people to change their practices and take care of their environment. Similarly, poverty can be addressed optimally by providing long-term opportunities for people to change their own situations.

Floresta brings hope and long-term opportunity to the people affected by these problems through technically appropriate, business-based programs that lead to self-sufficiency. This fundamental vision has remained unchanged for 17 years.

Originally developed to meet the environmental, economic, and spiritual needs of the rural people of the Dominican Republic, Floresta provides local farmers with a loan of several thousand dollars each over a seven-year period through the Agroforestry Revolving Loan Fund. These loans are used to establish agroforests consisting of fast-growing trees that are harvested for wood products, as well as fruit trees and more traditional short-term crops. The loans are not a handout. The farmers begin to pay back their loans with their first tree harvest. That money is used to enter more farmers in the program. This process offers significant economic gains to the farmers (often up to a 500% or 600% increase in income) while healing environmental scars.

Although the loan fund is the heart of Floresta's program, farmers also receive technical training and marketing assistance. For example, agroforestry is different from traditional farming, and involves much more than simply planting trees. Each farmer must learn to plant, care for, and eventually harvest his or her trees in a sustainable manner. In addition, farmers receive training in soil care, harvesting, and marketing as well as financial planning assistance for the first surplus money they earn. Finally, a common problem faced by subsistence farmers is market access. The individual beneficiary must have not only a market for his or her products but also an economical way to get those products to that market. Floresta provides services in both of those areas.

More than 300 families have benefited or are benefiting from Floresta's program in the Dominican Republic. Of these, 20 have completed repayment of their loans and now have self-sufficient, 6-acre agroforestry farms that are producing at several times the rate of their former subsistence farms. They no longer have any obligation to Floresta, and the money that was loaned to them is now available to other needy farmers. The farmers, however, frequently are eager to continue their relationship with Floresta because of Floresta's marketing services and the community spirit that Floresta engenders. The farmers' achievements validate the Floresta model, supporting it with real-life success.

Scott Sabin, executive director of Floresta, described his approach to social and environmental change as he brought the program into Mexico:

> I first met the people in the Mixtec village of El Oro in 1996, and for the past year our team had been working closely with them to diagnose some of the economic and environmental problems of the region, and to begin to develop solutions. We have become quite comfortable with many of the local people and several of them typically accompany us as we visit some of the other villages in the municipality of Santo Domingo Nuxaa. The make up of the team varies, but usually consists of representatives from AMEXTRA, government forestry offices, local municipalities, and several other consultants. I represent Floresta. Over the past two years and many visits, we had built up quite a feeling of camaraderie.
>
> Floresta partnered with the Mexican agency, AMEXTRA, to bring this team together and to ensure that Floresta's agroforestry program in Oaxaca would be well thought out and appropriate. Floresta has considerable experience in the Dominican Republic, but the mountains of Mexico are completely different ecologically, economically, and culturally. It is a big mistake to assume that the identical solution can work everywhere.
>
> Working with the people of El Oro, we studied the local problems from both the

community and technical perspectives. We worked to incorporate the community itself into the data collection and the investigation. For example, the Mixtec people tend to be cautious around outsiders. They also tend to be very communal, and every step along the way they voted as to whether or not they wished to continue working with us. So far we have passed all the votes unanimously, but stories of other development workers who had not been so fortunate always made me uneasy. Now we are working on implementing solutions and with promoters from El Oro, sharing these ideas with other communities.

Firewood and charcoal are the biggest sources of income for most of the villages. For example, I once observed and interviewed five family members, ranging in age from the mid-60s to 6, making charcoal. It was the primary source of income for the family. They had crops, too, but in years when there was drought, they were forced to rely more on charcoal. They were able to sell 25-kilogram bags of charcoal for 14 pesos a bag, or less than two dollars each. They made 30 bags of charcoal at a time and they did it about three times a year. Roughly calculated, this family of five subsisted on about 160 dollars per year.

The problem faced by the family is one of poverty, and tragically, the solution that they have chosen, the only solution they can choose, is leading toward their own ultimate demise and the destruction of the mountains around them. That is, an important cause of deforestation in the tropics is the subsistence farmer who must continually move to find fertile soil and who sells wood for fuel. Deforestation is a product of desperation and hunger, rather than of greed. Farmers are faced daily with the need to cut trees for their immediate survival. It quickly becomes a vicious cycle, as the treeless hillsides erode at an alarming rate and the topsoil pollutes rivers and streams. Without vegetation, the hills no longer hold water and quickly become unproductive. Rural families are often left with no alternative but migration to overcrowded cities. Any solution to deforestation must address their needs first.

In the Mixteca, Floresta has helped the community of El Oro to establish nine agroforestry demonstration farms, a community tree nursery, and an Agroforestry Development Committee. It is also establishing connections between the local church and churches in the United States. A sawmill and community-based reforestation and forest management plan is being implemented. This will replace the concessions that currently are being sold to large logging companies. Together with the Mixtec people, who already realize the precarious nature of the situation, Floresta is helping to diversify and improve the rural economy.

possibilities, and insights.[72] When both the practitioner and the participants contribute to sustainable solutions, the stewardship role is satisfied.

Second, in the bridging role, networking skills create conditions that enable diverse stakeholders to interact and solve common problems or address common issues. Change agents must be able to find common ground so that different constituencies can work together. Networking requires the capability to tap multiple sources of information and perspective, often located in very different constituencies. Action becomes possible through these networks.

But bridging also implies making linkages among individual, group, GSCO, and social levels of thought. Ideas are powerful fuel in international grassroots development projects. Breakthrough thinking by individuals to see things in new ways can provide the impetus for change at the group, GSCO, social, and global levels. This was

demonstrated by U2's Bono and U.S. Treasury secretary Paul O'Neill during their 2002 visit to understand and develop solutions to poverty in Africa. The change agent in international GSCO settings must play a variety of roles and use many skills. Clearly, stewardship and bridging roles are important in facilitating GSCO accomplishment. Other roles and skills will likely emerge over time. Change agents, for example, are finding it increasingly important to develop "imaginal literacy" skills—the ability to see the possibilities, rather than the constraints, and the ability to develop sustainable solutions by going outside the boxes to create new ideas.[73]

SUMMARY

This chapter has examined the practice of international organization development in three areas. In organizations outside the United States, traditional approaches to OD need to be adapted to fit the cultural and economic development context in which they are applied. This adaptation approach recognizes that OD practices may be culture-bound: What works in one culture may be inappropriate in another. The cultural contexts of different geographical regions were examined in terms of five values: context orientation, power distance, uncertainty avoidance, achievement orientation, and individualism. This approach also recognizes that not all OD interventions may be appropriate. The prevailing economic situation may strongly favor business-oriented over process-oriented interventions. The process of OD under different cultural and economic conditions was also described, although the descriptions are tentative. As OD matures, its methods will become more differentiated and adaptable.

OD activities to improve international, global, multinational, and transnational strategic orientations increasingly are in demand. Each of these strategies responds to specific environmental, technological, and economic conditions. Interventions in worldwide organizations require a strategic and organizational perspective on change to align people, structures, and systems.

Finally, the OD process in global social change organizations was discussed. This relatively new application of OD promotes the establishment of a global civilization. Strong ideological positions regarding the fair and just distribution of wealth, resources, and power fuel this movement. By strengthening local organizations, building horizontal linkages with other like-minded GSCOs, and developing vertical linkages with policy-making organizations, a change agent can help the GSCO become more effective and alter its external context. To support roles of stewardship and bridging, change agents need communication, negotiation, and networking skills.

NOTES

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24

Organization Development in Nonindustrial Settings: Health Care, School Systems, the Public Sector, and Family-Owned Businesses

Organization development may be practiced in various types of organizations in both the private and the public sectors. In recent years, we have also seen growing applications of OD in service industries as this entire sector continues to grow. Historically, most published material on OD has focused on applications in industrial and manufacturing organizations. There is some evidence that traditional applications of OD may need to be modified if they are to extend beyond the narrow industrial model. However, it is likely true that applications of OD need to be modified in order to be extended into any new industry or unique organizational setting or situation.

This chapter presents broad applications of OD in nonindustrial settings. In previous editions of this book, a person with knowledge and experience in OD in a particular kind of organization was asked to contribute a section for this chapter. For this edition, we requested Jean Ann Larson, chief learning officer at Beaumont Hospitals in metro Detroit, to examine OD in health care. Linda Purrington and Paul Sparks from Pepperdine University's Graduate School of Education and Psychology agreed to describe how OD is applied in school systems. Ray Patchett and Val Brown from the City of Carlsbad, California, discuss OD applications in the public sector, and Otis Baskin, professor of management at Pepperdine University's Graziadio School of Business and Management, reports on OD in family businesses. Each author stresses the similarities and differences between how OD is traditionally practiced in industrial organizations and how it applies in these nonindustrial settings. Their conclusions suggest the need for a greater diversity of diagnostic methods, interventions, and values when using OD in nonindustrial environments.

ORGANIZATION DEVELOPMENT IN HEALTH CARE*

Health care is a dynamic and complex industry experiencing significant growth and change. In 2006, health care expenditures accounted for 16% of GDP in the United States as compared to about 9% of GDP in other Organization for Economic Development (OECD) countries. In addition to having one of the highest percentages of GDP, the U.S. annual rate of increase is almost double that of most developed nations. These expenditures are also highly concentrated. For example, in the United States, a small population

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bears a disproportionately high share of health care expenses; about 5% of health care spenders account for almost half the health care spending.

The debates affecting the eventual definition of care, care delivery, financing, and access to care are being held in the halls of Congress and in the boardrooms of large and small employers, and found in the countless daily interactions between care providers and those they serve. In August of 2007, the Kaiser Family Foundation's Health Tracking Poll asked respondents to select two most important issues for the government to address. Health care was the second most cited issue at 27% just after the Iraq war.[1]

The health care industry represents a challenging context within which to practice OD. For example, compared to other industries, such as software development, manufacturing, or retail, health care differs along several dimensions:

- Though it is beginning to change, consumers are often insulated from the economic consequences of their major health care decisions, including lifestyle choices, health habits, which hospital to go to, and where to get outpatient services. Access to the health care system and the cost of care are mostly determined by insurance provided through Medicare (a federally funded program for the elderly and disabled), Medicaid (a combined federal/state-funded program for the poor), or private insurance, the majority of which is provided through employers.
- The key providers of care are not all connected through an employment agreement. The hospital or any other setting where care is delivered does not typically employ the physician. Rather, most caregivers, with the exception of certain specialties, such as radiology, clinical pathology, or emergency medicine, have to apply for "privileges" to work at a hospital or any other care setting. Physicians often do not exclusively work at one hospital or outpatient facility. They behave more as independent businesspersons. In some cases, they compete directly with hospitals, clinics, and other outpatient facilities for patients and revenues.
- Hospitals, a key component of the health care system, are primarily not for profit and face several challenges related to their ability to create sustainable revenue to support operations. They are heavily regulated by government and dependent on it for their revenue base. For example, Medicare accounts for an average of 38% of hospital revenues, while Medicaid accounts for an additional 13%. In some rural areas, Medicare and Medicaid account for almost 70% of hospital revenues, effectively serving as the national health insurance plan.
- In addition, the law requires hospitals to care for all patients regardless of their ability to pay, prompting the need to grow revenue in other areas. Hospitals are subject to fines if they do not serve these patients, and they are paid a set fee, regardless of the costs incurred in treating the patients.
- Moreover, demand often outstrips facility capacity in many geographical areas and medical specialties. In many states, capital expenditures are often regulated by Certificate of Need (CON) laws, so even if the organization has the capital, additional capacity cannot be provided easily or quickly. This situation results in angry communities and physicians as patients must survive long waits in hallways for available beds, or ambulances are deferred due to overcrowding.

Trends in Health Care

Health care practitioners and leaders acknowledge several important trends. The trends include the erosion of comprehensive health insurance and access to care, movement toward the electronic medical record, the stabilization of physician–hospital relationships, a growing reliance on philanthropy, employer support of consumer-directed health care, the loss of baby-boomer caregivers and managers, increased need to manage

new clinical technology, and quality as a strategic and regulatory imperative. Many of these trends affect not only the health care industry but also society as a whole.

Erosion of Comprehensive Health Insurance and Access to Care The United States is the only major industrialized country without universal health care. Despite its wealth and commitment of 16% of the gross domestic product to health care—twice the per capita spending of the typical industrialized nation—almost 47 million Americans do not have health insurance coverage.[2] The consequences of gaps in health insurance in the market-driven health system are becoming clear. A recent scorecard on the U.S. health care system finds that access, quality, and efficiency are intricately linked.[3] Failure to ensure stable universal participation in the health care system leads to avoidable deaths, missed opportunities to prevent disease and complications, lost economic productivity, and high administrative costs.[4] A recent article in the *Wall Street Journal* tells the tragic story of a woman diagnosed with breast cancer who fell through all the cracks, and even with safe guards for those without financial means, was unable to get the care her disease required. Many physicians who reviewed her story felt that under better circumstances and adequate health care insurance coverage, it is likely that she would still be alive today, or at least would not have experienced such suffering at the end of her life. The story evoked passionate editorials about a system that lets something like this happen.[5]

Moving Toward the Electronic Medical Record Health care providers are challenged to continuously improve the productivity of their processes and practices, even as they are required to spend more time documenting and reporting on the care they deliver. They must effectively and efficiently meet the often-conflicting demands of payers, regulators, and patients. These pressures affect not only the way providers use their time, but also their financial health and their ability to deliver high-quality health care.

Given this complex environment, the promise of the electronic medical record (EMR) is being touted as a big part of the solution. The EMR concept is simple—everyone who is treated by a health care provider has their medical history entered into an electronic database that can be transferred to any location whenever the patient needs care. The initial expectations of such a system are also simple. With easier access, less manual transcription of information, and more clinical information at the point of care, there should be significant reductions in health care costs and increased patient safety and outcomes. Less visible at first, but equally significant, are the elimination of potential duplicate tests and the opportunities for more accurate coding, improved clinical productivity, and more complete clinical documentation.[6]

The Stabilization of Physician–Hospital Relationships Changes in the health care industry, such as lower reimbursements and newer less-invasive technologies, are causing a significant amount of anxiety among physicians and health care leaders because these changes affect where and how physicians deliver services. For example, as diagnostic equipment gets smaller and easier to use, it is easier for physicians to provide these modalities in their offices instead of in the hospital. At the same time, the reimbursements for these advanced technologies are getting smaller, reducing the profitability of providing the service in any venue. In addition, these changes will continue to put pressures on the often-already-strained relationships between physicians and hospitals.[7] For the past ten years, reimbursement methodologies have pitted hospitals and doctors against each other, often shifting income from one group to another because of the overall decline in federal and state health-spending budgets. In some cases, in order to hold state budgets constant, not only is money moved out of health care, even the dollars remaining in health care are shifted between physicians and hospitals from one year to the next. For example, one year, the hospitals are reimbursed at a higher rate at the expense of physicians' payment (that is, physicians receiving

a reduced rate of payment), while the following budget cycle reverses the relative fortunes of physicians and hospitals. In the next decade, however, the imbalance of payments to hospitals and physicians that has affected the social contract between physicians and hospitals will begin to stabilize. Physicians will choose to invest with hospitals in joint-venture projects in which each will have opportunities to participate and to make management decisions. Win–win outcomes are possible as each side will have an ownership interest.[8]

A Growing Reliance on Philanthropy Health care philanthropy is undergoing significant change as the health care field faces two defining challenges: the increasing reliance of hospitals on philanthropy to address capital shortfalls and the heightened scrutiny not-for-profit hospitals are encountering regarding their tax-exempt status. Hospitals are increasingly depending on philanthropy to address declining operating margins, needed capital improvements, and the lack of understanding among local communities, the press, and politicians. To survive in this environment, successful development officers, chief executive officers, and chief financial officers are redefining the role of philanthropy in the hospital–foundation relationship. In short, they are counting on philanthropy to cover more and more capital expenditures.[9]

Employer Support of Consumer-Directed Health care The costs of the U.S. health care system are increasing annually at nearly twice the rate of overall inflation, and there is little evidence that this trend will decline. Health care expenditures are expected to reach 20% of gross domestic product by 2015. Employers are understandably concerned about these ever-rising costs.[10] Increased cost-sharing is one of the most common actions that employers have taken to control costs and give employees and their dependents a financial stake in health care decisions. Respondents to the "Futurescan" survey agreed almost unanimously (98%) that employers will continue down this path.[11]

Employers increasingly believe that new health plans, such as consumer-directed health plans that encourage preventive care and require employees to share the costs of their health care decisions, can be an antidote to consumers with unlimited wants, including those who seek medical solutions to poor lifestyle choices. Employers will continue to support initiatives aimed at empowering consumers. Gone are the days when patients expected the physician to make all the decisions in their care. This is one of the reasons employers are pushing health care providers, insurers, and government officials to make cost and quality information available to the public.[12] In addition, major payers are threatening to not pay for negative outcomes caused to patients by their hospital stay, such as nosocomial infections, falls, and issues resulting from medical errors.

The Loss of Baby-Boomer Caregivers and Managers Despite the wide prevalence of obesity, baby boomers as a generation are healthier than their parents or grandparents. They are likely to continue or even accelerate the 25-year-long trend of declining morbidity among people over 65, which Kenneth Manton and others have documented.[13] The current U.S. health care system is powered by baby boomers. The average age of registered nurses in the United States is 47.[14] Some 38% of physicians are over 50.[15] The entire senior-management cadre of most hospitals and health systems are older boomers. Most baby-boom caregivers will have moved out of direct care provision before the wave of boomer-driven health care demand arrives on hospital doorsteps. Though their retirement plans may be difficult to pin down, baby-boom caregivers and managers are already looking for less stressful work than manning hospital ORs, ICUs, and ERs, and being on call 24 hours a day.[16] The resolution of this mismatch between health services demand and supply of professionals, technicians, and managers from this generation will determine not only its future economic health, but also, and more crucially, whether it can meet the demands of an aging population when they do arrive.

Increased Need to Manage New Clinical Technology The introduction and use of new technology has accounted for 20–40% of the annual rise in U.S. health care spending since 1960.[17] Clinical technology is commonly cited as the major driver of rising expenditures worldwide. Observers and researchers characterize this trend as the technological imperative: patients and their physicians demand, in the name of quality, access to the latest equipment and procedures and, for the most part, third-party payers are willing to foot the bill. Research suggests that this increased spending over the last part of the twentieth century has provided reasonable value measured in terms of increased life expectancy.[18] However, because of the rising costs of the new products and the failure of Medicare reimbursement to keep up with those costs, the presence of clinical technology can result in breakeven operations if not losses for health care providers.

Quality as a Strategic and Regulatory Imperative Recent reports on the state of the health care system suggest that over the last five years, and despite the technological imperative, we have gained very little in the areas of quality and safety. Far too often, patients are harmed by negligent care and avoidable medical errors. Among 19 industrialized countries, the United States ranked 15th on "mortality from conditions amenable to health care", which is defined as deaths before 75 that are potentially preventable with timely, effective care. At the same time, the estimated number of deaths due to medical errors appears to be even higher than originally reported in the Institute of Medicines galvanizing report *To Err is Human*.[19] The typical adult has about a 50–50 chance of receiving recommended medical care.[20] Minorities receive lower-quality care for both routine medical care and specialty care, even after adjusting for differences in insurance status and income level.[21]

Many payers, policy makers, and health care leaders are beginning to address the situation and are putting in place the building blocks necessary to mobilize and sustain change. Medicare now entices almost every hospital in the nation to publicly report data on clinical quality by tying a 0.4% payment increase to participation in reporting. Pay-for-performance has become an accepted and widely adopted strategy to align incentives to reduce costs and improve quality of care.[22]

Opportunities for Organization Development Practice

Despite, or some might say, because of, the significant negative and difficult trends facing the industry, OD practitioners can positively influence the process and outcomes of change in the health care environment. The opportunities include creating effective cultures; supporting and developing present and future leaders; creating systems and services that cost-effectively differentiate and meet needs; redesigning jobs and processes to maximize effective use of expertise; and restoring trust in and among stakeholders.

Creating Effective Cultures The past decade's focus on mergers and alliances still requires some cultural integration, human systems development, and work process improvement. However, the focus now needs to shift to creating effective cultures that attract and retain key stakeholders, engage employees, and promote patient safety. The workforce shortages and the need to restore trust prompt the need for attention to cultures that welcome, support, and engage commitment from all stakeholders. Health systems that enable consumers, physicians, and employees to feel a sense of belonging and trust will achieve a sustainable competitive advantage. Alignment of recruitment, orientation, performance management, and other systems with the culture will be critical to success.

Recent articles about the workforce challenges cite the importance of attention to culture. An American Hospital Association (AHA) commission studying the workforce

issue suggested that culture changes and fostering meaningful work are as important as compensation for the long term.[23] Ideas for making the best of scarce resources include creation of mid-level professionals and increasing teamwork designs. Recommendations from the landmark "Magnet Hospital" study of the 1980s by the American Academy of Nursing, which outlined approaches that successful hospitals were using to serve as a "magnet" to attract and retain qualified nurses, are being cited as relevant and needed today. All but two relate to opportunities for OD, including the following:

- A philosophy of caring from top management that pervades the patient care environment
- Leaders who are visible and accessible
- Participatory management with practicing nurses engaged in decision making at the unit, departmental, and hospital levels
- Directors that interact frequently with nursing staff one-on-one
- Quality improvement programs that identify and resolve problem situations
- Nursing administration that recognizes the autonomy of the professional nurse
- Leadership that encourages the nurses in their continuing self-development.[24]

Cultivating a culture of openness and learning, as opposed to blame, is important for addressing the increased focus on patient safety and quality. All caregivers need to feel encouraged to raise quality and safety problems, and to find appropriate solutions to preserve patient safety, without inadvertently devastating well-meaning caregivers and losing the opportunity to learn and to improve processes.

High-Quality, Cost-Effective Human Resource Systems OD practitioners can contribute to the creation of systems and services that strengthen health care employers' ability to attract and retain qualified workers. This could include strong and unique training and development programs, career tracks that provide training and work opportunities enabling increased responsibility, mentoring programs to support new employees, work/family programs, diversity-friendly policies, and flexible scheduling and/or work assignment options. Efforts and programs devoted to effective onboarding of new employees are especially important in retention.

Serving the increasing patient demand amidst human, facility, and financial capacity constraints results in significant, negative costs to the people involved. Although stress, burnout, and voluntary termination are frequent topics in industry journals today, the human and social issues of morale, job satisfaction, commitment, quality of work life, and worker productivity and performance are equally important.[25] For example, one study found that 68% of health care executives see burnout as a serious problem, 64% opine that people get physically exhausted by the end of the day, and 58% say emotional exhaustion is common.[26] The work environment for the practice of nursing has long been cited as one of the most demanding across all types of work settings and it is increasingly described as highly stressful and professionally unfulfilling.[27] The quality of work life for people in health care is under intense attack, and work performance may be a casualty of industry change. OD interventions that increase employee involvement and assist members in coping with stress will clearly continue to be needed.

Effective Job and Work Designs According to a national survey, the number-one concern of nurses is their increased daily workload.[28] Another survey on worker retention showed that the primary reason why people leave is the inability to use their skills and abilities.[29] Job redesign may be needed to tailor jobs for an aging workforce and one with multiple work/family demands; to address the increasingly challenging workload; and to enable the most effective use of expertise. Job redesign and process redesign will also be important to address changes that may occur with the adoption of new clinical or information technology. Simply automating existing approaches to

work will not achieve the optimal benefits from the capital and human cost of technology acquisition. OD practitioners can make a significant contribution in assuring that work streamlining in one area (e.g., pharmacy) does not increase workload in another (e.g., nursing). Team development will also be increasingly important to address the high patient demand and the issues around patient safety.

Restoring Trust In and Among Stakeholders Trust has a significant impact on workplace relationships and performance. Healthy relationships need trust, and the stronger the level of trust, the stronger the relationship.[30] Trust is needed for constructive relationships among stakeholders (e.g., physicians, nurses, board, leadership, payers, patients, community members, and so on) and to restore public confidence in health care organizations. It is crucial for opening dialogue on potential areas of conflict and on the ideas needed to address patient safety issues and strategic decisions. Individuals who trust each other are more inclined to speak openly about difficult issues. Open dialogue facilitates commitment, accountability, and, ultimately, greater performance and results. Trust is also important to tap the knowledge and contribution of all workers, especially amidst workforce shortages. Research demonstrates that organizations with a high level of trust have four times the level of employee commitment and significantly more favorable financial results than their competitors.[31]

OD practitioners can contribute by assessing the current state of relationships and by assisting in surfacing and resolving differences. Skills in conflict resolution and restoration of trust will be critical to address challenges from past interactions, to maximize effective use of limited talent, and to address societal issues of mistrust in public institutions.

Success Principles for OD in Health Care

A set of principles and beliefs that describe effective OD interventions and OD practitioners in health care are posed as future challenges to the practice and practitioners of OD in health care.

Demonstrate the Relevance of the Subject to Strategic Performance A central debate in OD is whether it should be focused only on quality-of-work-life issues or if performance and systems improvement issues should be of equal importance. The challenge of keeping up with demand, while addressing workforce shortages and tenuous financial conditions, strongly suggests that health care leaders and clinicians would label any organizational intervention that is not linked to strategy performance as "irrelevant." Thus, in the health care industry, OD interventions must be linked clearly to issues of the organization's strategic performance—those things that help the organization achieve and sustain competitive advantage, such as cost position, clinical excellence, and market share. OD interventions must be seen as relevant and necessary to the life-and-death matters in operating a health care organization. Otherwise, OD practitioners will not be credible and will not be invited to be part of the executive team where they can have a positive influence on the health of the organization. In some situations where OD practitioners had not convinced executives of their ability to add value to the organization, the practice of OD became viewed as a frivolous luxury and did not survive the first round of budget cuts.

Linking OD efforts to issues of strategic importance will require two things: the practitioner's ability to understand the business of health care and how OD skills and knowledge can affect organizational performance and the careful identification of and the ability to speak professionally about the issues selected for action. The increasingly connected relationships among external strategy, structural integration, and human systems enhancement will have to be the expanded domain of the OD practitioner in health care. Ironically, in attending to the strategic initiatives of the organization,

quality of work life for employees can also be often enhanced through translating strategy down to the level of the employees for a better understanding of what is in it for them.

Demonstrate the Importance of Depth for Sustainability Health care's life-and-death focus, coupled with the crisis of insufficient capacity (i.e., human, facility, and financial) to care for the increased patient demand could prompt interest in quick fixes or reactions rather than more-lasting systemic and holistic solutions. OD practitioners must be able to make a compelling case for attention to deeper systemic issues for sustainable change such as cultures built on trust and learning, rather than shorter-term "feel good" training and development. Often times, longer-term initiatives occur in parallel to the shorter-term activities that may seem more important to non-OD professionals.

Demonstrate Competence The changes taking place within health care will require constant reevaluation and redefinition of competencies in a particular field or discipline. This will be as true for medical professionals and health care managers as for OD practitioners. That may include enhanced knowledge and skill for leaders in intervention technologies, exposure to important business trends and regulatory issues, and practice in the principles of large-scale change. Leading health systems and hospitals are already providing skills and awareness training to managers in areas of leadership, strategy, restructuring clinical care, human resources issues, and change management.[32]

Facilitate Integration Among and between the Diverse Parts of the System A universal theme of the practice of OD in health care today is integration among traditional and nontraditional stakeholder groups. For example, medical staffs, physician offices, community agencies, and insurance companies are typically untouched by OD processes. Now, in addition to new opportunities for improving the health and performance within each of those groups, significant efforts are necessary to facilitate their integration to improve health care delivery and effectively deploy limited resources. A good example is in the practice of community building, which is currently under way among stakeholder groups such as medical practices, citizens, employers, and hospitals. The purpose of this intervention is to construct a common vision for what constitutes health for the entire community, across all health care providers. OD practitioners are uniquely qualified to assist in developing such a vision. Many have the skills and knowledge to work in complex settings with diverse stakeholders and they possess the technologies of large-group intervention to create such a process.

Conclusions

The health care industry offers unprecedented challenges and opportunities. OD practitioners can influence positive growth and development by linking their efforts to the strategies of the organization, demonstrating competence and integrity, and being able to facilitate integration of people and processes across traditional departmental and organizational boundaries.

This opportunity comes with a challenge. At a time when each dollar and every resource in health care is being closely scrutinized, the inherent value of the OD approach is being tested for validity. Clients, under increasing pressure to demonstrate the benefit of key activities, will, in turn, subject OD practitioners and their change interventions to the same testing. The practitioner must seek a balance between responsiveness and relevance while maintaining a commitment to the core values that have defined OD—namely the equal importance of human needs and the creation of a work environment that allows growth, fulfillment, and performance.[33] Ultimately, the ability of the OD practitioner to influence health care leaders and stakeholders has the potential to help health care survive and thrive and will positively affect individuals, communities, and societies.

ORGANIZATION DEVELOPMENT IN SCHOOL SYSTEMS**

The historical search for meaning in U.S. education has shifted among different purposes and values, including academic discipline, social efficiency, individual development, vocational competence, freedom, equality, and community. Freeman Butts described these purposes as … "intersecting, competing, overlapping, fuzzy around the edges, if not in the center … We cannot escape them by whatever new or innovative terms we may dream up. We must grapple with them, try to sort them out, see what they mean for our time, and try to decide which deserve priority in the coming years."[34]

Grapple we have, and most often without the benefit of an integrated, systemic, or even current policy to make sense of educational purposes. Many educational institutions in the United States are being criticized for continuing to serve purposes that no longer exist in ways that are no longer relevant. Rooted in the industrial age, assembly-line concepts of education are still deeply embedded in many schools even though the circumstances upon which these concepts were based have disappeared or changed dramatically. In fact, educational delivery systems and their related outcomes are undergoing tremendous societal scrutiny. Dissatisfaction with the status quo has resulted in unprecedented competition, such as private schools and home schooling.[35] In response to the stress of changing circumstances and increased competition, "… the system has turned up the speed on the assembly line—doing what it has always done only faster and harder. While this might produce a bit more output, all of us—students, teachers, and parents—should be asking whether or not it produces more learning."[36]

Education: Industrial-Age Roots

Guided by nineteenth-century industrial practices, traditional models of education were designed to generate a standardized product—labor for the ever-expanding workplace. The same assumptions that guided the operation of U.S. factories were applied to schools: "centralization, standardization, hierarchical top-down management, a rigid sense of time, and accountability based on adherence to the system."[37] Like an assembly line, the system was organized in discrete stages. Children were segregrated and grouped by age. Everyone moved together from one stage to the next. Teachers closely supervised each stage. Classes were organized into units of 20–40 students and were assigned to meet for specified periods in a tightly scheduled day. Bells and whistles regulated rigid time schedules and maintained a uniform speed of operations for the entire school.[38]

The nineteenth century has come and gone; the industrial age has given way to the information age. Purposes for schooling have shifted and the factory model has become invalid—yet it still exists and some would say it still prevails. Many schools today in the United States look very similar to schools of the late nineteenth century. Factory model practices have become deeply entrenched and incredibly resistant to large-scale change efforts. Two efforts, described below, tried to shift the premises and practices of education. The Excellence Movement of the 1980s failed, and the Restructuring Movement launched in the 1990s is not without critics and has yet to demonstrate any benefits.[39]

Changing Conditions Cause Stress

A variety of changes, including failed and misguided reform efforts, have caused people to question the traditional model of education. First, historic conditions that once supported the factory model no longer exist and signs of breakdown in the assembly-line

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schools concept are evident. For example, the assumption of a captive female labor market for teachers has disappeared as women have pursued a broader range of careers. In addition, expectations for teacher certification have increased, teaching conditions have become more demanding (particularly in urban settings), and pay has not kept pace with other professions. These circumstances have resulted in more than half of new teachers leaving the profession within their first three years and raised serious concerns about teacher quality.

Second, changes in technology and the traditional family structure have interacted to alter the parent–teacher relationship and the availability of knowledge. The traditional family structure, one parent working and one parent staying home, has been replaced by that with two working parents or single parents. Responsibility for child care is now shared by schools, and parenting is as much a focus of conversations between parents and teachers as is academics. Moreover, students, as a result of communication and media technology, have as much access to information as their parents and teachers. New educational technologies not only provide a mix of fun and learning in ways that schoolrooms are unable to match, but these learning technologies are controlled by the student. They can access them when they are ready and are allowed to interact with their peers in mutually interesting ways. "Changes in family structure have rendered these technologies especially influential, since they often fill the gap as substitute parents."[40]

Third, the weakening of the traditional educational system is manifested in discontentment on the part of students, administrators, and parents and has resulted in unprecedented competition. Strong political, economic, and religious forces have given rise to a plethora of schools of choice, each with their unique ideology, curriculum, and practices. Those who can afford it opt for other choices, including private schools, charter schools, and home schooling. These options are not available to families who lack resources. Indeed learning has moved out of schools and classrooms altogether into cyberspace aided by new collaborative communication tools. New formats including serious games, online museums, and global learning communities are challenging the status quo.

Fourth, globalization has significantly influenced employer expectations for workers. Well-developed listening and communication skills, collaborative learning capabilities, critical thinking, creative production, and systems thinking are viewed as essential for the workplace, as are higher levels of literacy and the ability to adapt to rapid change. The "new" economy demands a higher level of education for a far greater percentage of workers than the old smokestack and agriculture-based economies.[41]

Fifth, today's students are more diverse ethnically, culturally, and linguistically than ever before. Their needs and interests require more culturally responsive practices that require schools to reexamine their understanding of first- and second-language acquisition and the relationship among language, culture, identity, school performance, community relations, and outreach; and to challenge biased/racist assumptions about learners that are not European in background.

Finally, the economic divide between students with resources and those without is widening. Greater pressure is being placed on schools to "level the playing field" and to better address the needs of students that have experienced circumstantial or generational poverty. Additionally, a significant digital divide has also grown between students with access to technology and those without.

Disappointing Reform Efforts

These trends, many of which started years ago, influenced the instigation of two large-scale school reform efforts over the past 30 years: the Excellence Movement and the Restructuring Movement. The Excellence Movement was a response to

the assessment-of-education report, *A Nation at Risk*, by the National Commission on Excellence in Education in April 1983.[42] The commission linked concerns over national security to substandard education in American public schools and generated considerable debate. In response to the report, hundreds of state and national task forces sprung into action to investigate the condition of U.S. public education.

Unfortunately, the Excellence Movement offered no new direction. Initiatives associated with this movement were described as "more of the same," including longer school days and longer school years. Roland Barth aptly described some of these efforts as nothing more than moving the same furniture around in the same room.[43] Within five years the Excellence Movement had come and gone.

In 1989, President George H. W. Bush convened the nation's governors for a summit meeting on education. Governors had convened only three times before in the nation's history to consider a single topic. A two-part strategy emerged from the summit: a call for national educational goals and standards and a national exam system. The result of the summit was the identification of national goals for education, *Goals 2000*, and a new emphasis on site-based reform. Ensuing efforts came to be known as the Restructuring Movement and included some common features: site-based management with meaningful authority over staffing, program, and budget; shared decision making; staff teams with frequent, shared planning time and shared responsibility for student instruction; multi-year instructional or advisory groups; and heterogeneous grouping in core subjects.

Great optimism was associated with the Restructuring Movement. The term suggested a comprehensive redesign and systemic transformation of the schools. Simplistic, more-of-the-same approaches were replaced by the mind-set that fundamental changes were necessary if schools were to develop the capacity to successfully address the significant challenges with which they were presented. Roland Barth wrote, "The advent of the restructuring movement brought a sudden confidence that teachers and principals, with the help of parents and students, can get their own schoolhouse in order."[44]

The hopes of the Restructuring Movement have yet to be realized. Research on the restructuring movement suggested that most schools focused on marginal changes rather than on core issues of teaching and learning. This left the teaching and learning process largely unchanged.[45] Newmann and Wehlage suggested that the term "restructuring" was used so widely and ambiguously that it soon lost any specific, universally understood meaning.[46]

Dufour and Eaker offered five reasons why these reform efforts failed to produce meaningful change in schools.[47] Each of them provides important learnings as well as opportunities for the application of OD in educational settings. The five reasons were (1) the complexity of the task, (2) misplaced focus, (3) lack of clarity on intended results, (4) failure to appreciate and attend to the change process, and (5) lack of perserverance. Change is difficult in any organization, but changing something as complex as the system of education in the United States is an especially challenging task. Fifty states operate over thousands of relatively autonomous school districts. These districts serve millions of students and are governed by local school board members. Constituents may agree that education is a national problem, but disagree about the quality of schools in their communities. While some teachers, students, and parents are disenchanted with their local schools, others staunchly defend their schools as serving their neighborhoods well.

Prior reform efforts have not directly addressed the quality of student learning. They have instead focused on peripheral issues outside of the classroom. Although there seems to be general agreement that the educational system needs improvement, there is little consensus around goals for improvement, what constitutes success, and how success should be measured. A need exists to shift the focus of reform efforts

from marginal changes to core issues of teaching and learning and strategies that have proven to be effective. Subsequently, a need exists to clarify and articulate desired results in meaningful terms.

Failure to appreciate and attend to the change processes associated with organizational and system reform has resulted in superficial, short-lived, and failed efforts. The change process requires skillful planning from beginning efforts to "sustaining" desired outcomes. Top-down and bottom-up initiated changes are likely to meet with resistance when not fully supported. Practitioners in schools who experience an endless array of reforms "du jour" initiated one moment and abandoned the next are reluctant to persevere and devote the time and energy to what may be perceived as yet another fad. "This too will pass" becomes the pervasive thinking and teachers close their doors and go about their business as usual. Even changes that are believed to be important by a majority of persons are likely to be "stopped in their tracks" if they are not carefully supported with guidance, time, resources, opportunity to collaborate, opportunity to problem-solve, encouragement, celebration, and a plan for sustaining the change over time.

Another perspective regarding failed reform efforts relates to an inattention to the features that distinguish schools from other businesses. Business in the schoolhouse is different from business elsewhere.[48] First, education is a more purely industrial-age institution than is business. Although business borrowed and implemented industrial-age ideas, it was not created with these ideas. The modern school, on the other hand, was conceived with the factory model in mind and has evolved into the school system we know today.

Second, school systems are far more tightly embedded in larger social systems than are businesses. Individual schools are nested within local districts, which in turn are nested within state departments that set policy and standards. As a result, schools are directly and immediately affected by changes in policy. Schools are part of communities in different ways than are businesses. Parents play an important role in school governance. They not only have goals for what and how their children learn, but they also influence school operations as a whole.

Third, Senge suggests that the degree to which the industrial-age school lives in each of us can be a sobering realization from a standpoint of innovation and adaptation. He suggests that we begin by challenging industrial-age assumptions about learning such as the following: Children are deficient and schools fix them; learning takes place in the head, not in the body as a whole; everyone learns or should learn in the same way; learning takes place in the classroom, not in the world; and there are smart kids and dumb kids. Senge also recommends that we challenge the following industrial-age assumptions about schooling in order to create conditions and foundations for change: Schools are run by specialists who maintain control, knowledge is inherently fragmented, schools communicate the truth, learning is primarily individualistic, and competition accelerates learning.

A New Metaphor for Schools

In response to the changing times, a new metaphor for schooling has emerged. Learning communities are replacing the old model of schools as knowledge factories or organizations. "Both the organization and the community metaphor ring true for certain aspects of how schools function. But it makes a world of difference which of the two provides the overarching frame."[49] Rather than emphasizing externally imposed rules, regulations, monitoring, supervision, and evaluation systems to maintain control over teachers, the new metaphor implies a very different construct. Learning communities are built around relationships and shared ideas. Relationships in communities are close, informal, cooperative, and trusting—similar to relationships found in families

and other groups of people with close ties. Shared values, sentiments, and beliefs unite people in communities around common causes. Leadership in communities emerges from moral roots and is servant in nature. Leadership is initiated from “many different chairs,” including leadership on the part of students, parents, and community members.[50] This in turn builds the leadership capacity of the school as a whole. Teams are formed with community needs and individual talents and strengths in mind. Efforts are made to distribute the work among those who are best suited. Building strengths-based communities is a mindscape that replaces the defecit notion of fixing individuals and weaknesses. Learning communities are regulary engaged in learning and inquiry with a focus on results and continuous improvement much more akin to OD strategies.

The concept of schools as a learner-centered communities emerged in the 1990s and has continued to evolve. Peter Senge described schools as learning organizations in his book *The Fifth Discipline*, and the term made its way from business literature to educational literature.[51] In 1992, Sergiovanni translated one of Senge’s five principles—team learning—to an educational context: the idea of school as a learning community, suggesting a family-like, close-knit connectedness among members.[52] A variety of authors have proposed characteristics and practices that reflect a learning community, including action and results-oriented focus; continuous improvement; supportive and shared leadership; shared purpose, mission, vision, values, and goals; reflective dialogue and collective inquiry; and shared responsibility for students’ learning.[53]

In 2000, The Interstate School Leaders Licensure Consortium (ISLLC) developed six standards for leaders and guiding school effectiveness:[54]

1. Facilitating the development, articulation, implementation, and stewardship of a vision of learning that is shared and supported by the school community
2. Advocating, nurturing, and sustaining a school culture and instructional program conducive to student learning and staff professional growth
3. Ensuring management of the organization, operations, and resources for a safe, efficient, and effective learning environment
4. Collaborating with families and community members, responding to diverse community interests and needs, and mobilizing community resources
5. Acting with integrity, fairness, and in an ethical manner, and
6. Understanding, responding to, and influencing the larger political, social, economic, legal, and cultural context.

In 2004, Alan Blankenstein and associates from the HOPE (Harnessing Optimism and Potential through Education) Foundation synthesized the research from the above sources, research on effective schools, the U.S. Department’s criteria for excellent schools, and their own practice in the field, and distilled the essence of learning communities into six principles:[55]

Principle 1. Common mission, vision, values, and goals
Principle 2. Ensuring achievement for all students: creating systems for prevention and intervention
Principle 3. Collaborative teaming focused on teaching and learning
Principle 4. Using data to guide decision making and continuous improvement
Principle 5. Gaining active engagement from family and community
Principle 6. Building sustainable leadership capacity.

These six principles provide an excellent framework for OD application. A need exists to shift the focus of reform efforts from marginal changes to core issues of teaching and learning and strategies that have proven to be effective in schools.

Future Opportunities for OD Practice

Schools may call themselves learning communities, but really few are in practice. This is not to say that many schools are not taking steps in the right direction. School transformation is a difficult and evolving process. Becoming an authentic learner-centered community requires deep changes in theory and culture for traditional schools. Embracing the concept of school as a center for inquiry in which children and adults construct their own understandings of the world in which they live calls for a significant shift in mindscape.[56] OD practices can inspire the most promising of school improvement practices—those that place emphasis on the teacher, the classroom, and the patterns of interaction that exist among teachers and between administrators in the school.[57]

Building Trust An important first step in becoming an authentic learning community is the building of relational trust. A ten-year study of achievement in math and literacy in 12 Chicago public schools by the Center for School Improvement at the University of Chicago revealed that schools reporting strong positive trust levels were three times more likely to improve in reading and math than those with poor trust reports.[58] OD values–based principles of practice (respect, inclusion, collaboration, authenticity, self-awarenesss, empowerment) are aligned with four components of relational trust associated with professional learning communities: respect for the importance of a person's role and viewpoint, competence to administer one's role, personal regard for others, and integrity in words, actions, and ethics. OD practices can help schools identify the nature and quality of relationships and the degree to which cultural norms promote school improvement. OD practices can guide schools in inquiry work around the kind of relationships that lead to school and student success and how such relationships can be formed and sustained.

Setting Strategy Four building blocks form the foundations of professional learning communities: mission, vision, values, and goals.[59] OD practices can support schools in the development of effective mission and vision statements. OD practices can also guide school efforts with regard to clarifying values and goal setting. Eaker, DuFour, and Burnette recommend that four critical questions be addressed in professional learning community mission statements: (1) If we expect students to learn, what is it we expect them to learn? (2) How will we know if they are learning it? (3) What will we do when they don't? and (4) How will we engage students in their own learning?[60]

OD practices can also help professional learning communities develop effective vision statements through collaborative processes that promote ownership and unity. These processes can ensure that vision statements are based on relevant background information and research and that they clarify direction and priorities. OD-supported vision development can result in statements that are desirable, feasible, credible, and easy to communicate. OD practices can challenge members of the professional learning community to identify the specific attitudes, behaviors, and commitments they must demonstrate in order to translate vision into reality. They can also help communities to set goals, determine which steps need to be taken first, establish timelines, and identify measures of success.

Learning Design Designing a systems approach to learning that considers carefully the needs of all students and includes prevention, intervention, and remediation measures provides a third opportunity for OD practice. Closing the achievement gap in schools has become a moral imperative. Gaining staff commitment to the task, developing a unifying philosophy, and creating comprehensive systems of support present great challenges and opportunities for school transformation.

Collaboration Central to the success of high achieving schools is a collaborative culture focused on teaching and learning.[61] OD practices can help schools to provide opportunities for collaboration to enhance teaching and learning. Specifically, OD practices can

assist with strategies for effective team organization, team building, decision making, managing meetings, sharing workload, developing team member commitment, identifying communication protocols, and monitoring team progress.

Action Research Collecting and using data to guide decision making is a fifth option for OD practice to help schools become more results-oriented. What data exists, what data should be collected, how should data be used, and who should be involved are important questions that schools need to answer in order to successfully use data to drive continuous improvement and enhance student achievement.[62] The better the data, the more able a school is to make improvement plans. Quality data needs to come from multiple sources and represent multiple perspectives. It needs to be relevant, timely, representative, accurate, and disaggregated. OD practices can help schools use data to drive decisions, set goals, target interventions, support change initiatives, guide improvement, and monitor progress.

Community Engagement The educational research identifies family and community support and involvement as fundamental to student achievement in schools. OD practices can assist schools in gaining active engagement from family and community through the building of positive family and community relationships, effectively involving families in the school, and reaching out to family and community members. The National Parent Teacher Association offers six national standards for family involvement programs, along with practices that can provide a framework for OD support.[63] Standard areas include communication, parenting, student learning, volunteering, school decision making and advocacy, and collaborating with community.

Leadership A seventh opportunity for OD practice in schools relates to the development of human resources of the learning community so that success lasts well beyond the initial implementation of school improvement efforts. Building sustainable leadership capacity in professional learning communities requires the intentional development of shared and distributed leadership. In professional learning communities, common purpose, commitment, and action bond members together in trusting and caring relationships and bind them to important values, purposes, and responsibilities. Leadership is a group activity linked to a practice rather than an individual activity linked to a person. Consideration for situation and ability determines who assumes leadership for which responsibilities.[64] OD practice can help schools build leadership capacity that outlives individuals and sustains improvement.

Technology's Unique Role in School OD

The explosion of communication technology at the end of the twentieth century has forced a rethinking of teaching and student competencies. In 2003, the Partnership for 21st Century Skills, in collaboration with business leaders, proposed a new set of competencies necessary for the success of students.[65] These competencies reflect the complexities of today's workplace and include global awareness, creativity and innovation skills, media literacy, and leadership/responsibility. While past educational structures seem unfit for the task, the recent developments, enabled by technology, are impacting 21st Century Skills. Global access to information, collaborative virtual spaces, mobile technologies, ease of digital media authoring, and multiplayer online games offer rich new learning opportunities independent of traditional schools.

For example, collaborative virtual spaces and mobile technologies have opened a rich alternate channel for innovative educators to work with students online. E-mailed homework, discussion topics in newsgroups, dialogue using chat or IM, posting group work on blogs, and sharing video in real time are a few examples. Home schooling is another fast-growing, nontraditional educational structure that is greatly facilitated by new technology.[66]

Online Learning Communities These are designed to allow users with common interests to form their own virtual space for sharing documents, comments, and contact information. Less formally structured than school settings and independent of geography, they provide powerful virtual collaboration and learning. Their popularity can be measured by the tens of thousands of groups and the millions of users on sites such as 43things.com, Meetup.com, and Google groups.

Online mentoring is an important subset of online community learning. Many schools, companies, and professional organizations offer online mentoring for new community members. Indeed, many churches and self-help organizations offer virtual online community space to support members. Technology supported, communities of practice are emerging as worthy competitors to courses and classrooms. Community members commit to working together to solve common problems and in the process share valuable information and create lasting communities. Collaborative online tools make this possible as people with same jobs are often geographically distributed limiting useful interaction.

Media-Based Learning This is a whole industry of content providers that has grown to support organizations with common content, such as ethics training. Professional organizations also sponsor content creation and delivery through focused learning modules. Nearly all have recently added collaboration tools to the packaged learning to better reinforce learning.

Media and content creation have become so accessible that new tools are appearing that allow learners to share directly with each other. Teachertube (http://www.teachertube.com), a takeoff from the popular youtube, was created to allow teachers to learn from each other by sharing videos and dialogue.Wikipedia is a collaborative online encyclopedia maintained and used by potentially everyone with Internet access. These powerful media tools clearly have implications for the structure of an education system designed to deliver knowledge.

Gaming Environments They represent another transformation-based technology. The success of video games and the complex yet effortless learning associated with them suggest yet another powerful learning strategy apart from schools. Many researchers claim games alter learning altogether—what should be learned and how.

> How hard this huge new cohort works, how they try to compete, how they fit into teams, how they take risks—all are different in statistically verifiable ways. And those differences are driven by one central factor: growing up with video games.[67]

Quest Atlantis is a 3-D online multiplayer game funded by NSF to apply games to education. Students and teachers collaborate on learning quests in an environment of social commitment.[68] Its effectiveness for formal education is being tested currently in South Carolina schools, but its effectiveness as a learning strategy is not disputed in the marketplace.

These are key examples of how new communication technologies enable more compelling learning strategies. The ability of educational institutions to embrace them will ultimately decide their future. In fact, Knight suggests that traditional educational organizations may themselves have learning disabilities, judging from their ongoing inability to change in the face of new theory and technology.[69]

Interestingly, a common feature of these emerging learning strategies is the OD principle of community involvement. David Cavalo, director of the Center for the Future of Learning at MIT, has pushed for a new learning model called "emergent design." The design requires community development of learning goals similar to building design. He says, "the design and implementation of technology-enabled organizational change has not played a significant role in guiding educational thinking."[70] Perhaps it is time.

Conclusions

The purpose and best practices of education continue to be complex and hotly debated. Historically, the development of traditional educational organizations has shifted among a variety of values and purposes largely unaided by OD principles. More recently, the focus has been on academics and personal and social development.[71] The current need for connected, technology-savvy workers with 21st Century Skills and more attention to OD practices has given rise to a new strategy—professional learning communities. Independent learning communities have already been growing around online gaming and other online communities. Whether school systems are able to systematically embrace this fundamental change is still in question.

Opportunities for OD practice in schools to support their transformation toward professional learning communities include helping schools build relational trust; develop and sustain shared mission, vision, values, and goals; design a systems approach for learning that includes prevention and intervention; collaborate to enhance teaching and learning; use data to guide decision making and continuous improvement; gain active engagement from family and community; and build sustainable leadership capacity.

Shaping organizational culture is key to developing a school's capacity to function as a professional learning community. Change can be accomplished and sustained only when key OD practices become embedded within the culture of the school. Collective inquiry, collaborative teams, an orientation toward action, and a focus on results are the essential elements of a professional learning community. Regular sharing of values, engaging in reflective dialogue, exchanging stories that reflect culture, and celebrating progress and accomplishment are strategies necessary for shaping culture.

The three Cs, communication, collaboration, and culture, are key to sustaining improvement initiatives. Collaboration requires teamwork, time, explicit purpose, training and support, and individual and collective commitment on the part of all members of the learning community. Specific leadership responsibilities are key to guiding successful change efforts that involve schools in deep change with a continuous focus on school improvement. Change efforts in learning communities engage teachers, administrators, students, and parents in inquiry. Inquiry involves challenging underlying assumptions, beliefs, and values. Learning communities regularly engage in inquiry, and inquiry has the potential of leading individuals and organizations to new and better ways of being.

ORGANIZATION DEVELOPMENT IN THE PUBLIC SECTOR***

Public-sector organizations, such as federal, state, and local governments, operate in a complex environment of competing political, social, and economic forces. Calls for the government to become more citizen focused and to operate in a more businesslike manner are common. Legislation and programs aimed at improving government accountability, quality, and effectiveness are being introduced and adopted at all levels of government.[72] For example, the National Partnership for Reinventing Government (formerly the National Performance Review 1993) initiative created by former President Bill Clinton and run by former Vice President Al Gore called for national agencies to transform themselves into more effective, high-quality, customer-focused service providers.[73] It outlined recommendations for improvements that have resulted in a $108 billion saving for the period FY 1995–1999.[74] At the state level, initiatives to curb

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government revenues or taxing authority, such as California's Proposition 13 (adopted by voters in 1978) and Proposition 218 (adopted by voters in 1996), continue to be introduced.

In addition, public-sector organizations face increasingly complex and significant challenges in responding to citizens, crafting public policy, and providing public services. Conflicting public policies at the federal, state, and local level, coupled with unfunded mandates and restricted revenue, further complicate the environment in which they operate. Their record of successfully responding has been spotty at best, with trust in the federal government falling dramatically. In 1964, 75% of Americans said that they trusted the federal government to do the right thing "just about always" or "most of the time." By 1999, that percentage had dropped to 29%.[75] The Gallup organization has conducted similar polls about trust in government since 1972. Gallup has found that "Barely half of Americans, 51%, say they have a 'great deal' or 'fair amount' of trust in the federal government to handle international problems. Less than half of Americans, 47%, now have a 'great deal' or a 'fair amount' of trust in the federal government to handle domestic problems. And only 32% 'think you can trust government in Washington to do what is right . . .' 'just about always' or 'most of the time.' In contrast, just over two-thirds express trust in their own state and local governments."[76]

In the face of terrorism, war, and global economic and social turbulence, these numbers at the federal level are unlikely to improve. Similarly, public participation, once the hallmark of the American democratic process, is suffering. Voter turnout in presidential elections has dropped from more than 62% in 1964 to 51% in 2000.[77] Voter turnout continues to decline across the board with only 41.4% of eligible voters voting in 2006.[78]

As a result, public-sector organizations are engaging in a variety of efforts focused on increasing citizen participation and involvement in hopes of developing greater public trust and confidence in government as they move further into the twenty-first century.

For example, many governments are supporting community building and neighborhood involvement initiatives such as the Connecting Community, Place and Spirit learning conference in Carlsbad, California, and the Block by Block neighborhood engagement program in Clearwater, Florida. At the same time, they are attempting to be more productive, efficient, and effective by downsizing and privatizing public services and introducing technology to increase effectiveness and productivity.[79] The demand for certain public services on a 7/24 basis is making it necessary for government agencies to adapt and provide them in new ways. The International City/County Management Association (www.ICMA.org) has introduced a nationwide performance measurement and management intitiative aimed at improving and proving public-sector effectiveness. The Alliance for Innovation (www.transformgov.org) has introduced nationwide initiatives to foster innovation at all levels of local government that also results in a culture of continuous improvement and learning. City governments, such as Phoenix, Arizona, and San Diego, California, are competing with the private sector through managed competition programs. Other cities, such as Carlsbad and Irvine, California, are implementing performance management compensation systems that reward employees based on competencies and the achievement of goals. All of these changes are being introduced to translate legislative mandates into measurable results and outcomes, such as citizen satisfaction and service quality.

These types of changes suggest a vital and important OD role in the public sector. Planned organization change efforts in this context can be as successful as those in private organizations,[80] and OD interventions are becoming more common and accepted in government. For example, community-visioning processes are being conducted to connect government with its citizens; technology has become an indespinsable foundation for helping governments operate more effectively; team building is being

inculcated in elected officials and staff at all levels of the organization; and performance management and compensation programs are being implemented. Culture change intitiatives are also finding their way into public-sector programs as a means to strengthen a shared knowledge of the values, mission, and vision of the organization. These OD interventions, and others included in this book, are helping public-sector organizations respond to the citizenry and transform themselves into citizen-focused, customer-driven, results-oriented public-sector organizations.

Although public-sector OD applications are becoming more common, they face a unique set of circumstances, including a complex political and operational environment. Interventions are often conducted in the public arena among a number of stakeholders, each of whom has legitimate standing in the policy-making process—and often in the decision-making process. The climate and support for OD is complicated further by the structure of public-sector organizations. Although the legislative and political arena is interdependent with the administrative and staff domain, it is highly unlikely that both will be involved in the same OD intervention. If they are, each domain has a different role and operates based on different and sometimes competing values. To conduct planned change initiatives effectively, OD practitioners must recognize and appreciate these differences. This section highlights some key differences between the public and the private sectors and discusses some of the implications for applying OD in public-sector organizations.

Comparing Public- and Private-Sector Organizations

Public- and private-sector organizations differ along four key dimensions: values and structure, the multiplicity of decision makers, stakeholder diversity and access, and the extent of intergovernmental relationships. Each of these differences is discussed along with its implications for OD practice. This discussion draws on the writing and research of Bob Golembiewski, John Bryson, H. George Frederickson, and John Nalbandian.

Values and Structures Public- and private-sector organizations differ in important ways with respect to their values and structures. In private-sector companies, the key values are profitability and the creation of competitive advantage. The board of directors, who represent the shareholders, and the management team, who are tasked with implementing a strategy, share these values. Although public-sector organizations share a similar structural arrangement of representation and implementation, there are crucial differences in purpose and role that hold important implications for OD practice.

In contrast to the private sector, the overarching purpose of public-sector organizations is to govern toward greater public good and demonstrate responsiveness to public wants and needs. The public good is addressed through the adoption of laws and policies and the establishment of public services and programs that support a broad array of citizen needs that must, by law, be discussed and adopted in an open public meeting. Responsiveness is reflected in demands for representation, efficiency, individual rights, and social equity.[81] In service of these values and purposes, public-sector organizations also adopt a representation–implementation structural form. The representative function is known as the political or legislative domain, and the implementation function is known as the administrative domain.

The public-sector political–administrative structure reflects the values and roles inherent in government organizations. In the classic theory of public administration, the political domain is led by elected representatives who pass legislation and enact statutes in service of the public good. In turn, they delegate implementation of programs and statutes to administrative agencies.[82] The political domain includes both elected and politically appointed officials, and the administrative group includes merit-based civil servants and certain executives, such as city managers, who are appointed on the basis

of professional rather than political criteria.[83] This structure mirrors the private sector's distinction between a board of directors and management.

Unlike private-sector organizations, however, the purposes and values within public-sector organizations are not shared necessarily by the political and administrative functions. For example, politicians serve at the pleasure of the public. Although private-sector board members are elected representatives of the shareholders, their elections are not as open and public as are those of political officeholders. Politicians must compete to get elected and continue to posture, and compete to get reelected. As a result, political values of responsiveness, representation, social equity, and efficiency, and the ever-present political survival value are reflected in an open and public process where the particular interests and values of a diverse set of constituencies are brought together to produce a common view of the public good. Clearly, politics is the art and science of government.[84]

Moreover, the political function is responsible for the establishment and oversight of an administrative organization that is designed to implement the outcomes of the legislative process. Generally, the mission of the administrative function is the implementation and enforcement of the laws and delivery of public services or goods. The legislative mandates, rules, and procedures established to address public wants and needs make public-sector organizations less flexible than most private-sector organizations and constrain their ability to act outside of their legislative framework. Thus, the administrative function values partisan neutrality; selection and promotion on the basis of merit, specialization, and expertise; the use of information for analyzing public policy issues; recordkeeping for purposes of continuity; application of the work ethic; and the justification of decisions based on efficiency (achieving the most productivity for the money available) or economy (achieving a given level of productivity for as little money as possible) or both.[85] When elected officials are responding to the citizenry or setting policy, the political domain's values of responsiveness and representation may override the administrative values of functional expertise and economy. When such value conflicts occur, administrators are often caught in the tension between politics and their mandate to run an efficient organization.

These value differences, along with the government's regulatory and taxation role, have contributed to the perception of government as a bureaucracy, which simply refers to the administration of a government through bureaus staffed with nonelected officials. Perceptions of bureaucracy are often negative, however, and include indifferent people exercising power through strict adherence to inflexible policies, rules, and procedures. In addition, government appetite for risk is extremely low resulting in a plethora of rules and regulations fostered to minimize any possibility of something going wrong.

Although public- and private-sector organizations can take on the characteristics of a bureaucracy, such as departmentalization, vertical decision-making processes, and many formal rules and procedures, the characteristics are more pronounced in government organizations. A critical reason for this phenomenon is that government organizations are legislated into existence, giving the organization or agency life until it is legislated out of existence. As a result, the organization receives funding that sustains its existence regardless of performance. Although budgets at all levels of government are reviewed and adopted annually, the complete elimination of a public-sector agency or organization is rare. The effect is that public-sector organizations, despite their purpose, can be much less responsive to citizens and customers than private-sector organizations because they aren't directly reliant on the customer for funding to sustain their existence.

The political nature of the legislative and representation process and the functional expert and efficiency orientation of the administrative process produce important tensions in a public-sector organization. OD practitioners must be aware of these tensions and of the implications they have for OD practice. First, OD practitioners must understand

that a public-sector organization's primary mission, unlike private-sector organizations, is set by law, and major changes can occur only through additional legislative action. Even so, appointed officials and staff have much flexibility and discretion on how to implement government services and programs. The implication for OD is that many of the interventions used to help private-sector organizations, such as strategic goal setting, business process reengineering, total quality management, large-group interventions, and team building, can be used successfully in the public sector.

Second, public-sector interventions often require approval and funding from an elected board. This increases the probability that the design, especially one for citizen- and neighborhood-focused initiatives, will be scrutinized and challenged to ensure its efficacy. OD practitioners need to be ready to provide evidence of success for particular interventions in public-sector organizations.

Third, OD processes that support elected officials in citizen-focused initiatives or in enacting policy must consider the public environment in which they are being conducted. Public-sector organizations are subject to greater direct public access, media coverage, and a much broader array of responsibilities and more distributed power than are most private-sector organizations. As a result, most policy-level OD and citizen-focused applications will be conducted in public. OD practitioners must select processes that create a constructive environment on the one hand and allow for public participation and review on the other. In addition, OD interventions must account for the vulnerability that elected officials, and sometimes public administrators, experience. For example, the results of a community-visioning process may serve as the political platform for candidates seeking the same public office that the incumbents leading the visioning process currently hold. OD practitioners need to be aware of this possibility as interventions are designed and implemented.

Fourth, the values of the political domain may differ from traditional OD values. The win–lose dynamics associated with passing legislation, mediating competing interests and political trade-offs, and balancing scarce resources can conflict with OD values of collaboration, teamwork, and efficiency. Improving organization effectiveness is an OD value often at odds with the political process. Last, administrative values and OD values are more likely to be aligned than either of those values with the political domain. To be effective, an OD practitioner must appreciate the tensions found in these differences.

Multiplicity of Decision-Makers The public sector operates in an environment of largely unlimited access to multiple authoritative decision makers, a phenomenon designed to ensure that "public business gets looked at from a variety of perspectives."[86] The public expects full and legitimate access to all government decision makers at every level. As a result, access to the decision-making process is broader and accountability is more dispersed than in private-sector organizations, where such access is uncommon and responsibility is more clear-cut.[87] Further, government fragmentation complicates the public-sector decision-making process, where it is common for different public agencies to be responsible for different steps in governmental processes. Such fragmentation often makes it confusing and difficult for citizens, clients, customers, and even public officials and staff to understand who is responsible for what decision and accountable for what product.

In addition, Golembiewski noted that decision making by public officials "tends to favor patterns of delegation that maximize their sources of information and minimize the control exercised by subordinates."[88] Specifically, the goal was to have all decisions brought to their level for action and review. While this may have been the case in the past, most public-sector organizations today are just as embroiled as the private sector in the task of evolving from a command-and-control decision-making structure to one of empowered workers. Within the constraints of the legal mandates and regulations governing the organization, public officials can delegate decision-making responsibility

and accountability to the public worker closest to the citizen and customer if they want to and if it is in alignment with their leadership philosophy. The implication is that OD values that seek to expand worker self-direction and move decision making closest to the point of service are consistent with many government transformation efforts currently under way.

This multiplicity of decision makers and government fragmentation result in additional implications for OD interventions. First, multiple decision makers make it difficult to determine the identity of the client and the expected results. For example, a legislative body may adopt a policy, such as pay for performance, and direct staff to design and implement the program. In this example, both the legislative body and the staff are accountable and responsible for different parts of the intervention. Because the policy and administrative decision-making process are interdependent, the OD practitioner may be unable to gain the same level of clarity about who is the client, their authority, and an understanding of their responsibilities that is possible in the private sector.

Second, support and funding approval for OD interventions may be more difficult to obtain than in the private sector. The implication for OD practitioners, when operating across multiple departmental lines within the same organization, is most direct when entering and contracting. The project may require staff support for the intervention and legislative approval and funding for the project. As a result of the public approval process, OD practitioners must be able to explain the process and expected outcomes and must remember that the public or politicians resisting the project may challenge the efficacy of the intervention(s).

Stakeholder Access As described earlier, a stakeholder is any group or individual who is affected by or who can affect the policies and operations of the public-sector organization—citizens, customers, political parties, corporations, employees, other governments, interest groups, critics, and so forth.[89] In contrast to private industry, the public sector conducts business in open public meetings and involves a "greater variety of individuals and groups with different and often mutually exclusive sets of interests, reward structures, and values."[90] In addition, citizens and interest groups have full access to public reports, documents, plans, and other background information via public records, public notices, and the Internet. OD practitioners must recognize that all stakeholders, most of whom bring different values, goals, or proposed solutions to public issues, have legitimate entry into the public policy and administrative processes. For example, stakeholders supporting the goals inherent in the Americans with Disabilities Act must compete for funding with stakeholders supporting the objectives inherent in the Endangered Species Act and its programs. Such conflicting interests and access create a broad array of challenges for OD. Foremost among the challenges is helping diverse groups of people with different and competing interests to collaborate with each other in developing a common goal that may represent an unpopular compromise to any individual group.

Anyone who wants to, citizens and even non-residents (legal or not), may influence the policy-making process. Such broad access may exist in the private sector with respect to certain types of information, but the ability to influence corporate decisions and activities is much more restricted. What this level of public access does to the policy-making process is complicate and politicize the roles and responsibilities of politicians and administrators. Thus, the role demands of an elected official are much broader than the role demands of a private-sector board member. In addition, public-sector administrators, who are responsible for implementing public policy, have a duty to respond to the citizens, elected officials, and the staff that work for them. Everyone must be listenened to and no one can be ignored. The implications of this network of roles and responsibilities for OD practitioners is that, in reality, anybody can make a

demand to be involved in the process at virtually any level of a public organization and the likelihood is that the individual or group will have legitimate standing to do so.

In addition, public-sector employees are stakeholders as a result of their legal right to form unions to represent them on matters concerning wages, hours, and working conditions. Because collective bargaining laws are structured for managing disagreement, a challenge for OD practitioners, if involved, is to help facilitate the process in a way where all parties perceive their interests have been considered and feel heard. A poor labor relations environment and poor employee morale will make it difficult, if not impossible, to implement OD interventions successfully. It will become especially difficult if the unions decide to get involved politically in supporting or opposing the reelection or election of a candidate(s). Importantly, OD practitioners must understand that, in contrast to the private sector, it is difficult to arrange stakeholder interests and expectations behind a common goal. Even so, practitioners must appreciate that "attention to stakeholder concerns is crucial because the key to success in public and nonprofit organizations is the satisfaction of key stakeholders."[91]

Intergovernmental Relations Governments are designed to focus both functions and power, and paradoxically, to disperse power and functions so that no one government or agency is all-powerful. As a result, "government" comprises a latticework of independent agencies or departments providing different public services to the same citizens and customers. The result is an intergovernmental relations environment where federal, state, and local governments share power, responsibility, and, in some cases, resources.[92] These intergovernmental relationships raise several considerations for public-sector OD applications.

First, issues of coordination and power may emerge out of the sharing of responsibility across public-sector organizations in the provision of public services. Although the services may appear to be provided by "the government," the reality is that a number of public organizations are often responsible for different aspects of the same public service. For example, providing an integrated transportation system requires federal, state, special district, private developer, and local government participation. The federal government and special districts work together to provide train and bus service. The state works with federal and local governments to provide interstate and state highways. Local governments construct the local road system with financial assistance from development, federal, and state agencies. OD practitioners working on intergovernmental relations projects must utilize a network perspective that makes explicit these differences with the intention of reaching agreement about overarching outcomes, responsibility, and shared resources.

Second, local governments must implement federal and state laws and policies that often conflict with each other. In such cases, it is common to find that a federal policy, such as the Clean Water Act or the Endangered Species Act, sets goals and objectives for state and local government organizations, the objectives of which are in direct conflict. As a result, it often falls to local government to balance out the competing policies to comply with all of the mandates. The resulting questions as to which agency has the most power, who is responsible for which services or programs, and what is the level of government pay for those services or programs have important OD implications. For example, a network development intervention would recognize the existing transorganizational system and help all agencies, each with a different degree of power, achieve reasonable agreement in addressing legislative goals and implementation issues. As with the private sector, however, reaching agreement often involves contentious negotiations where differing positions are addressed, acceptable trade-offs are found, and conflict is managed and resolved. Since different levels of government have different degrees of power, the OD practitioner could facilitate a positive result to the process by getting early agreement between the organizations on how decision making and

conflict will be managed. Such an intervention is complex, however, because government agencies tend to preserve their power and protect their interests at virtually all costs while limiting their financial and resource responsibility. Appreciation for the mission and power relationships among agencies is critical in designing effective network development interventions.

Clearly, there are important differences between public and private organizations, and in many instances the public-sector organization is more complex. In addition, one must appreciate the distinctions between the political domain and the administrative domain to consult or work in public organizations. With this understanding and an appreciation of the political arena in which public organizations operate, application of OD programs and techniques can be successful.

Recent Research and Innovations in Public-Sector Organizational Development

The comparisons between the public and the private sectors described above suggest that OD has a role in government and not-for-profit organizations. OD practitioners need to appreciate the inherent differences and understand that OD applications in the public sector are conducted in a complex political and organizational environment. Moreover, the unique features of public organizations—the values and structures, the multiplicity of decision makers, stakeholder diversity, and the intergovernmental relations environment—make OD applications challenging but not impossible.

Despite these challenges to OD practice in the public sector, there is growing evidence that OD interventions in government are successful, even when compared with change efforts in private industry. One review of 574 OD applications across the two sectors showed a similar pattern of predominantly positive results in both government and private industry.[93] Another study of 154 quality circle interventions in public and private organizations concluded that, although the highest levels of success occurred in private firms, overall success rates were substantial in both sectors.[94] A recent and particularly rigorous review of 52 OD interventions in government and industry confirmed these conclusions. The findings suggested that OD interventions were similarly successful in the two sectors, and led the researchers to conclude that the results "serve to contradict the common notion that planned change is likely to be less successful in the public sector."[95]

In addition to these promising findings, recent innovations in government point to the continued growth and success of OD in the public sector. At the federal level, for example, both Congress and the Clinton administration enacted legislation and reforms to create a twenty-first-century government designed to "get results Americans care about" with the overarching goal to "restore trust in America's government." In 1993, former President Bill Clinton created the National Performance Review (NPR), which was later renamed as the National Partnership for Reinventing Government. This program was discontinued in early 2001, but produced impressive results, including the creation of more than 4,000 customer service standards, the introduction of the Hammer Award for federal employees who reinvented their part of the government, and the passage of 34 laws enacting recommendations needing legislation. In addition, there have been cost savings of over $136 billion, more than 16,000 pages of reduced regulation, a reduction of 351,000 positions, and 83,000 laws enacting NPR recommendations.[96] These results have been achieved through interventions aimed at creating learning organizations (Chapter 21) and high-involvement organizations (Chapter 15), reengineering projects aimed at streamlining work flows and response times (Chapter 14), and, perhaps most difficult of all, efforts to change the civil service system so that the federal workforce is more flexible, development oriented, and performance driven.

These national reforms have their complement in state and local governments. Faced with similar pressures to reform, become more focused on citizens and customers, and operate in a more businesslike manner, state and local governments are introducing initiatives to become more productive and efficient while providing top-quality services. For example, a national survey of 987 state agencies found that 60% of them were using some type of strategic planning.[97] Another national survey found that all but three states have performance-based budgeting requirements,[98] and almost every state has enacted quality awards based on the Hammer Award and Malcolm Baldrige National Quality Award criteria.[99] In addition, local governments have conducted a variety of OD activities, such as team building, leadership development, large-group interventions, and total quality management programs, to become more effective.[100]

Finally, NGOs are working to help improve government. The National Innovations in American Government Awards, cosponsored by the Ford Foundation, the John F. Kennedy School of Government at Harvard University, and the Council for Excellence in Government, recognize examples of creative problem solving in the public sector. The National Civic League's All-America City Award recognizes exemplary community problem solving and is given to communities that cooperatively tackle challenges and achieve results. The Alliance for Redesigning Government of the National Academy of Public Administration is a national network for all levels of government that advocate performance-based, results-driven governance. The Alliance for Innovation is a national network and clearinghouse of local government organizations with the mission of innovation in providing public services, sustaining meaningful connections, and renewing passion for public service.

Conclusions

OD applications have proven to be effective in public-sector organizations. Faced with many of the same pressures as private industry and some that are unique to government, public organizations will continue to use OD applications and interventions to transform themselves into citizen- and customer-driven, high-performance, results-oriented organizations. But to be effective, practitioners helping government must appreciate the differences incumbent in public-sector values and organization structure; the differences in public and private organizations; and the mind-sets of elected officials and government workers. OD practitioners need to understand public-sector organizations and tailor interventions to fit highly diverse, politicized situations where elected officials and bureaucrats struggle with moving toward a new emphasis on continuous improvement, teamwork, customer focus, employee development, and learning. Although public-sector OD is difficult and challenging, the successes cited in this chapter illustrate that OD is an invaluable tool in helping public-sector organizations provide top-quality services.

ORGANIZATION DEVELOPMENT IN FAMILY-OWNED BUSINESSES****

Family businesses, such as Levi Strauss, Cargill, and Kikkoman (founded in 1630), are the most common and least understood types of business organizations. Often thought of as "mom and pop" operations, more than one-third of the *Fortune* 500 companies are owned or controlled by family members. Moreover, family businesses comprise the single largest demographic segment—between 65 and 80% of all worldwide businesses—and

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they generate half of the U.S. domestic product and employ 50% of the workforce.[101] One recent study showed that one-third of S&P 500 firms are family controlled and they outperform the publicly controlled companies.[102]

While professional advisors, such as accountants, lawyers, and financial planners, have been serving this market for years, they are frequently puzzled by the complexity of relationships in these organizations. Organization development practitioners have recently begun to recognize that their ability to understand the dynamics of human and family relationships can address many needs within this context. This section explores the definition and model of the family business system, outlines critical issues facing family firms, and describes a typical planned change process.

The Family Business System

The most common definition of a family business is an organization where ownership and/or management control rests with a family (or families).[103] This definition covers a wide range from small, owner-managed businesses to Ford Motor company, where the Ford family owns a minority of the stock but retains voting control through a complex system of voting shares. Some families retain 100% of the ownership while employing "professional management" to run their business. Cargill is a globally dominant agribusiness giant with an estimated $60 billion in annual sales, employing 79,000 people in 65 countries with ownership held by only 80 family members.[104] Even when founding families no longer have managerial or voting control they may still be a significant force in the decision-making process of the firm. Many believe that the principal reason why the board of Hewlett-Packard failed to ultimately support CEO Carly Fiorina in her strategy for the HP–Compaq merger was her failure to recognize the influence of the Hewlett and Packard families beyond their votes on the board. Even in companies that have long since lost all current family involvement, values, and vision from founding families can be powerful forces. The ability of Johnson & Johnson to survive the poisoningof Tylenol capsules is generally attributed to the application of the company's CREDO originally written when it was family-owned. OD practitioners can help firms understand these "soft" decision factors in governance and management decision processes.

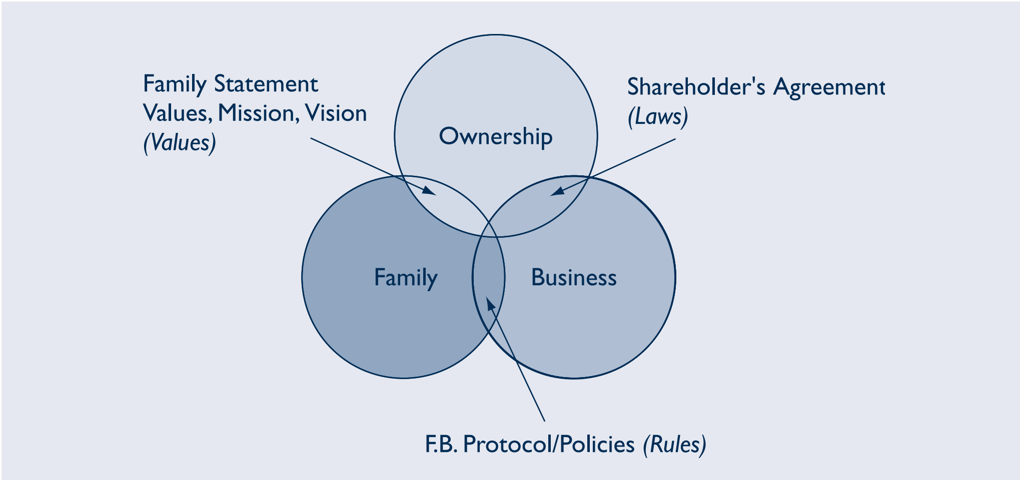
Generally, family firms are understood to have several potential competitive advantages that public- or private-equity-owned organizations do not (Table 24.1). These include higher employee loyalty (family and nonfamily), the ability to quickly move in and out of market niches due to their flexible form of organization, their long-term (vs. short-term) orientation, and the ability to keep information about the business out of view of the public and their competitors. When a controlling family owns a business, even if family members are not active in management, their "patient capital," interest in their communities, and unity of purpose can result in distinctive capabilities that competitors are unable to match.[105]

A family business system model is shown in Figure 24.1 that defines the three basic components of family business organizations. It helps to understand the differences between family firms and more traditional businesses, and how OD practice must be modified. The family business system is composed of three different subsystems: the business, the owners, and the family. For each subsystem there is an implicit understanding of the goals, and in family-firm best practices there is an explicit plan that describes how the objectives will be achieved with a governance structure that represents the people in that system. In the case of the founding generation of an owner-managed business, all three of these systems may completely overlap with a married couple both working in the business and sharing ownership. As the business and the family grow and ownership extends to subsequent generations these systems continue to move apart allowing for more variation in roles and creating more complexity in the system.

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[Figure 24.1]

Three Systems in Family Business



SOURCE: Adapted from Tagiuri and Davis, 1996. R. Tagiuri and J. Davis, "Bivalent Attributions of the Family Firm." Working Paper, Harvard Business School, Cambridge, MA. Reprinted *Family Business Review*, 9(Summer, 1996): 49.

Business, Ownership, and Family Systems One of the principal advantages of a family business is the increased potential for unity of purpose and action between owners and management.[106] The lack of this unity in public-owned businesses is termed "agency cost" and was first described by Adam Smith in *The Wealth of Nations:* "(B)eing the managers of other people's money than of their own, it cannot well be expected that (the managers of public corporations) should watch over (public investors' wealth) with the same anxious vigilance with which partners in a private co-partnery frequently watch over their own."[107]

The *business system* may consist (depending upon the stage of development) of family and nonfamily managers, the strategic business plan, and a governance structure including a board of directors and sometimes a nonfamily advisory board. The strategic plan should outline the business goals, objectives, strategies, and organization design. The board of directors and advisors counsels the business's leader(s) on strategy implementation, organization form, and other key business policy decisions. It is not unusual to find family businesses with nonfunctioning boards made up of the founder and spouse and sometimes including a trusted attorney and accountant. These "nominal" boards often do not have meetings and only sign the required legal documents. However, when siblings or cousins own a business where some owners are managers and others do not work in the business, a more functional governance structure is needed.

The *ownership system* consists of the business's owners (family and nonfamily), a shareholders agreement (preferably a legal document), and a governance structure that may be represented in a formal shareholder meeting. The shareholder agreement should outline the owners' business goals and objectives including risk tolerance, expected return on investment, liquidity goals, and a buy–sell mechanism. A shareholder meeting can provide a structure for owners to meet to develop and oversee their mutual interests in the business. Shareholder assumptions, including the buy–sell agreement, ownership succession, dividend policies, and investment options for business proceeds, are relevant topics for this forum. Shareholders are responsible for reviewing the family enterprise plan (discussed below) and determining the relevant

goals and policies to communicate to the board of directors/advisors. This is a critical step that sets family businesses apart from public companies, the ability of owners, directors, and management to be aligned in a vision for the business.

Finally, the *family system* may consists of all family members, including those who have married into the family, their enterprise plan, and often a governance structure frequently referred to as the family council. The family enterprise plan outlines the family's philosophy, goals, and objectives for the business as well as other related family functions, such as community service, family gatherings, and philanthropy. The Family Council is often the body that represents the relevant groups of family members (those who work in the business and those who don't) and plans for discussions on such topics as educating family members on responsible ownership, developing policies on family participation in the business, communications and conflict resolution, and the financial education necessary to understand the performance of the business.

Family Business Developmental Stages

The conventional wisdom of family business around the world is often summarized as "Wealth doesn't go beyond the third generation." This can be demonstrated with research that shows fewer than one-third of family businesses are able to make the transition of ownership into the second generation and only 12% of all family businesses survive into the third generation of ownership.[108] While some have pointed to these statistics as proof of the dangers of family business, they need to be understood in the broader context of business in general. For example, the expected life of a company on the S&P 500 list is only ten years.[109] In fact, the survival rate of companies listed on the Dow Jones Industrial Average from its founding in 1886 through 1996 is about the same as the statistics for family businesses with one-third of the original firms disappearing every 25 years.[110] However, it cannot be denied that family businesses face some unique challenges as the business and the family change over time.

The challenge of generational transition in family business is complicated by the separation of the principal roles of *Business, Ownership,* and *Family.* In the founding generation, where one or both parents own and manage the business, these roles are embodied in the same people. However, as parents begin to make plans to retire and do estate planning, they often leave their children equal ownership of the business they have created. Usually one of the siblings will be selected to become the next CEO. In such cases, the expectation is often that the successor will run the business "like dad" because that has been a successful model. If in fact the ownership of the business has transitioned from the founder(s) to their children, conflict can arise if the next generation attempts to lead the way the founder did. Siblings can be very quick to let a brother or sister know that they don't have the same rights their parents did. Second-generation CEOs must learn that they have something mom and dad never had—shareholders.

When a sibling group owns a business together they need decision-making and governance processes that the founders would have found only cumbersome and wasteful. This is especially true when not all of the owners are employed in the business. Issues will arise about the amount of voice an owner who is not managing the business should have in the way their assets are being deployed. Also, the questions of return on investment (ROI), shareholders' dividends or distributions versus bonuses to management, and reinvestment in the business may become heated topics. When a business attempts to transition to a third generation of ownership (cousins), the issues of representation and voice in decision making can become even more explosive without well-designed governance processes in place.[111] The potential for conflict about the business can also create lasting divisions in a family unless sufficient planning takes place to maintain and build upon the trust relationships inherent in the family system.

A Parallel Planning Process

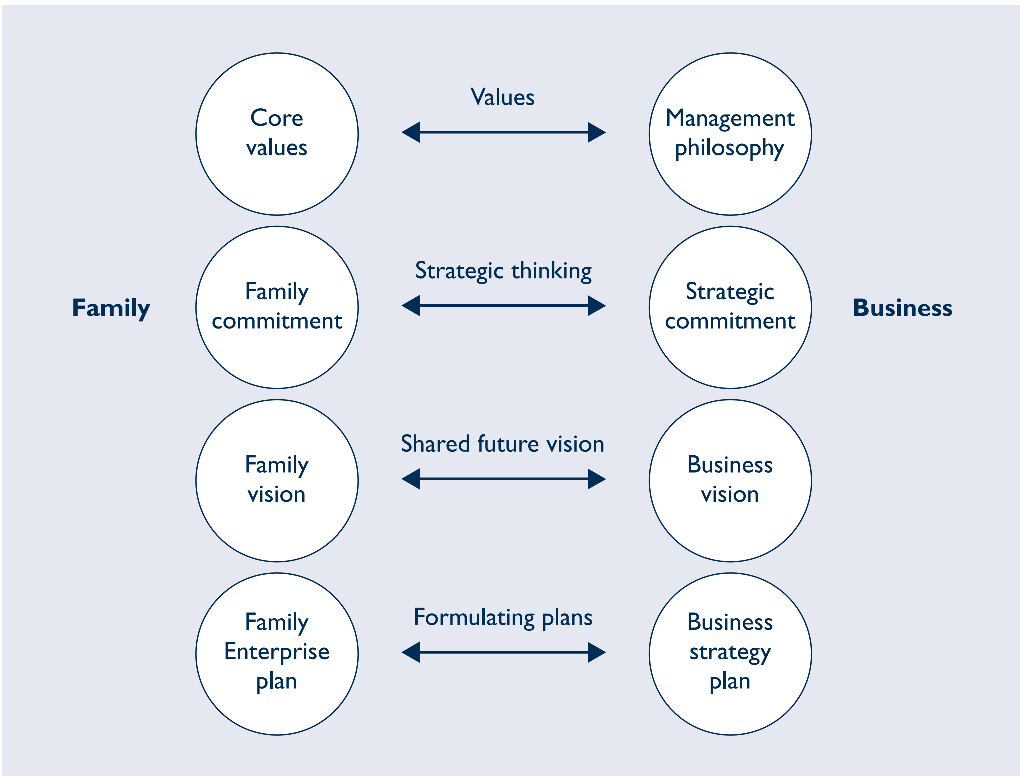
When a family owns a valuable asset, such as a business, their relationships can become much more complex. Deliberate planning is required to preserve the natural bond that exists in families and to make it possible for them to develop a shared vision for their mutual enterprise. Carlock and Ward describe a parallel planning process where "… viable business strategy is still the outcome, but it is an outcome shaped by the concerns of the family."[112] Figure 24.2 illustrates the parallel processes leading to the simultaneous development of a Family Enterprise Plan and a Business Strategy Plan.

Values

At the center of the family business system model is a set of core values held by the family. Research shows that family members internalize family values, such as long-term reciprocity, filial obligation, and hard work for one's family.[113] They represent a key integration point for aligning the three subsystems listed above. However, values also best illustrate the differences between family and nonfamily firms.[114] The complexity of the family business is a function of not only the interplay among the family, business, and shareholder systems, but the different (and often opposing) values that lie at the core of each system. For example, family and business system values are shown in Table 24.2 Based upon the values a family employs in making decisions about the business and the family they can be classified as either "Family First" or "Business First."[115] A family-first value system will place family above the business and may suboptimize

[Figure 24.2]

The Parallel Planning Processes



SOURCE: Carlock, Randel, S., and John I. Ward, *Strategic Planning for the Family Business*, Palgrave, 2001.

[Table 24.2]

Family vs. Business System Values

FAMILY	BUSINESS
Security	Risk
Equality	Equitability
Inward orientation	Outward orientation
Status quo/equilibrium	Change
Unity & Support	Competitive
Relationship based	Results based
Emotion based	Rationally based
Born into	Hired into
Secrecy	Transparency

business opportunity to benefit the family. A business-first value system is based upon the belief that a well-managed business will produce the most benefit for the family now and in the future.

The family-first approach is dominated by values of security and equality. There is a strong inward focus on the family's dynamics, strong goals of keeping the system in equilibrium (even if it is an unhealthy equilibrium), and strong interest in maintaining unity and support. The family's continuity, even if the business does not prosper, produces a preference for stability and risk aversion. Relationships are most important, a great deal of emotion is built into decisions, and one can only be born into (or married into) this system. Businesses hire the person that best fits the organization's needs based on knowledge, skills, and abilities; however, there is no job description to be a good family member. The family system places high import on family and business privacy. Families tend to hold very close financial information, family dynamics, and business information; often they do not want business and financial information shared even *within* the family.

On the other hand, the business-first value system is interested in risk and equitability in the organization. Change, competition, results, transparency, and an outward orientation characterize business system values. Ideally, decisions are made rationally and objectively, and the system is composed of an often-changing mix of people who are hired into (or severed from) the organization. While 85% of those family firms who have identified a successor say they want it to be a family member,[116] the number of those family successors who would *objectively* fit the profile of the kind of leader the company needs based on its goals and strategy may be very different.

Thus, value dilemmas lie at the heart of how family businesses work. A family involved in a business can pursue its own objectives even when these are at odds with generally accepted business practices. Compensation, dividends, treatment of family and business expenses, performance evaluation and promotion, and the budget process are practices that can be influenced by family factors. Similarly, tensions in the business can be the result of the emotional relations in the family. Family relations are personal, often complex, and the result of a lifetime of positive and negative experiences. These relations influence business decisions overtly and covertly, as every family member is,

in part, defined by their relationship to the business. Moreover, families often structure their business relationships in ways that fill a void in their family relationship outside of the business.[117] OD practitioners often have to consider such issues as follows:

- Should the chronic underperforming son or daughter be retained in their business role and for how long?
- How much conflict should the family (and nonfamily) business members have to endure between two siblings in rivalry?
- When the business is suffering, will the family member's significantly higher compensation be addressed?

In sum, the family business system model provides an effective diagnostic tool and helps to explain some of the reasons why OD in family firms can be difficult.

Critical Issues in Family Business

The interaction of the family, ownership, and business subsystems, particularly at generational transition points, can be problematic.[118] Where these systems overlap, as family members come together as owners both inside and outside of the business, there are potential interface issues, potential conflicts, and always dilemmas to be faced.

Transitions, particularly those from first to second generation and second to third generation can present even the most successful families and businesses with monumental changes. The change from an owner-managed business to a small group of sibling owners to a larger group of cousins can challenge the basic assumptions that have been the basis of trust and unity in decision making. It is instructive to consider each of these major inflection points from the perspective of three states of change:[119]

1. The present or current state—identify the key elements of the organization and family that will be impacted by the change.
2. The transition state—make the decision about where to begin the change process in each subsystem (family, business, ownership) from the present state to the desired state.
3. The future state—a specific statement of the goal of the change process within a mid-range horizon of 1–3 years.

Some of the critical change triggers common to family businesses as they grow and develop are the following.

Entering or Leaving the Business as a Family Member Family members often report choosing the family business as a place to work with comments like "It just happened" or "I fell into it." Family members are a convenient workforce and may be the only option in the start-up phase of the founding generation but businesses that successfully integrate family members over the long run do not base selection practices only on genetics. Policies on entering the family business, options for career paths, and multiple points of exposure to the family firm are a few of the best practices.[120] There must be clear roles, recruiting processes, and training and development to give every family member who chooses to be part of the business a clear sense that they have earned their place. Moreover, the business strategy and organization structure should influence selection, although only 37% of family firms report having a written strategic plan.[121] Most importantly, every family member should feel they have the opportunity to "opt out" of the family business without the risk of losing the unconditional love of the family. To that point, many founders find it impossible to leave; close to 88% of family business respondents said that the family will continue to control the firm in five years.[122] Too often a founder's identity is largely derived from the family business

they began, and many strive to keep the status quo at all costs instead of welcoming change, a values dilemma for an entrepreneurial business.

Conflicts and Rivalry in the Business Conflicts and rivalries are common in family firms and are often the result of values dilemmas.[123] If a family is relationship based and a business is results based, how is the family member to be evaluated? If equality is valued in the family system, how do you choose a business successor? Family member compensation, roles and responsibilities, authority, and opportunity are some of the critical issues that ignite conflict between family members. The family system is an emotional one, and when placed together in a business setting, family members often revert back to the family roles they played growing up. Another source of conflict lies in the secret nature of families. Substance-abuse problems, for example, are much more likely to be kept quiet in the family business[124] and only 62% of significant shareholders report knowing the senior generation's share transfer intentions.[125] The complexity of the family business system requires additional structures, practices, and processes to ensure open communications, conflict resolution, and business performance.

Ownership Transfer and Estate Planning In addition to distinguishing between family and business roles, members of the family system may have a third role to play, that of "owner" or "shareholder." Owners' rights and responsibilities are different from family and business ones. Ownership rights typically include electing directors, creating bylaws, voting on specified major business decisions, and realizing a fair return on investment. Typical responsibilities include making informed decisions, creating and keeping agreements, respecting limits of authority, and developing business competencies to adequately fulfill their role as a shareholder.[126]

One value dilemma evidenced in the owner arena has to do with "equal vs. equitable." When ownership transfer issues arise, members of the shareholder group often struggle between transferring family business stock to members of the entire family versus only those family members who are active in the business. The former option can create challenges between inside-owners, who work in the business, and outside-owners, who do not. Owners who earn their living from the business and are responsible for the success of the business often feel that outside-owners do not deserve any return for their investment because they inherited their shares.

Sometimes families attempt to resolve this dilemma by "equalizing" the total estate. For example, a family with two active and two inactive business members of the next generation all receive an equal share of the total estate, yet the two active members receive 100% of the business assets and the estate is "equalized" by transferring more of the nonbusiness assets to the inactive siblings. While this may seem equal at the time of transfer it can lead to future disputes if either the business or the other assets significantly outperform the other. Moreover, most business founders tend to reinvest everything in their business and may not be able to match the value of the business with other assets. Others attempt to avoid conflict over the business by establishing two classes of stock and leaving voting shares only to heirs who are working in the business. However, the long-term prospects for a family business where owners of a significant portion of the business have no voice in how their assets are utilized are not good.

No amount of planning by the previous generation can replace the need for the current owners to develop trust through a common vision for their business and an appreciation of the interest and needs of each other.

Selecting a New Leader The vast majority of family firms, 85% according to one survey, choose successors that are family members.[127] In addition, 39% of family firms will change leadership within the next five years, and of those, 42% have not chosen a successor. Many families avoid the topic altogether due to its emotional intensity.[128] Some of the key reasons include a founder/owner who won't "let go" of the business,

the lack of competency in the next generation, rivalry among siblings for key leadership positions, succession timing, incongruent business visions of the current and successor generation, and pressures from various family branches. Forward-thinking family business leaders spend time to identify the optimum type of leader needed to take the business into the future. This can happen only after creating a shared business vision and strategy and then identifying the best leadership candidates. Once the current leaders have accepted the need for change, decisions can be made as to where the potential candidates will come from. Will the next leader be a family or nonfamily member? If the choice is the former (and it typically is), what mentoring and development will ensure the family candidate is successful? Business is about risk and change, yet family is about stability and status quo, which explains part of the reason why choosing a new leader creates difficulties. Succession is marked by a shift of power and influence, followed by a period of shared power,[129] and for many leaders the proposed transition is met with great resistance.

Business Growth and Family Wealth As noted earlier, most family businesses struggle to transition the generations. Absence of successors, family assets too concentrated in the business, family conflict, passive versus active owners, empire building, lack of professional management, or the absence of a shared vision and sustainable business model can all contribute to a family business's demise. When the business fails, there is little chance for the family's wealth to grow.

To grow the business and the family's wealth requires careful thought and strategic planning.[130] The company must move from an entrepreneurial business to a professionally managed firm, develop governance structures, formalize systems and processes, and recruit talent (from inside and outside of the family). Owners must continually develop assets independent of the business. As the business grows, so do liquidity options such as venture capital, debt or equity financing, internal stock sale, sale of the company, or employee stock ownership plans (ESOPs).[131]

OD Interventions in Family Business System

For a consultant working with family businesses, complexity is the norm, a result of the interconnectedness of the family, business, and shareholder systems. Necessarily addressing the entire family business system is a key difference from the work of a nonfamily business practitioner. The skill set required for a family business advisor is comprehensive and includes OD competencies (e.g., behavioral sciences, systems thinking, strategy, and organization design), family systems knowledge (e.g., life cycle development, birth-order issues, and family dynamics), conflict resolution skills, and family meeting facilitation. In addition, the family business consultant should acquire working knowledge in the areas of estate and financial planning, legal forms of organization, exit strategies, family philanthropy, family offices, financial analysis, and multidisciplinary (professional) teaming.

Perhaps the key to the success of a family business consultant is the ability to establish a trusting, caring relationship with the client system, to accurately surface the issues and dynamics at the heart of the family business dilemmas, and to effect positive, sustainable change. Consultants must know their own values, ethics, goals, and personal development areas, including their beliefs about families and families in business and insight into their own family system issues and dynamics. Such awareness increases the family business consultant's ability to handle issues that arise in a family-run business.

In addition, given the many demands and diversity of the family business system, it can be beneficial to use a team-consulting approach in certain cases. For example, a 60-year-old founder may relate best to a senior advisor perceived as an "equal," while the younger next-generation leaders may connect better with someone closer to their age who has worked with other clients with similar experiences. If significant conflicts

exist in the family, an advisor with expertise and qualifications in individual and family therapy may be a valuable asset to the team.

Entering and Contracting The special entry and contracting issues involved in family businesses include the need to quickly create a safe emotional environment, asking sensitive questions related to the family systems early in the engagement, getting permission to recontract as issues emerge, getting permission to work with other family members, and being clear about the requirements of collaboration. Unlike nonfamily firms, the "client" in a family business is the entire family business system. The mission of an OD practitioner dictates a systems approach, so any relationships begun in this phase must integrate family issues around the business issues. The contract will typically be with the major shareholders of the family firm; therefore additional efforts are required up front to ensure buy-in and collaboration in the process. Trust must be established early on for the rest of the process to have a chance of moving successfully.

Diagnosing the Organization Diagnosing the family-run organization requires the particular tasks and skills necessary to understand the family system in addition to the business system. "Presenting" issues and problems that appear to be business related often require careful probing and unbundling to get an accurate picture of "what is happening." Trust building, begun in the entry phase, continues in the diagnosis stage by bringing the family together for an orientation meeting. This meeting, often the first time the family has congregated around business issues, helps them to understand they are not alone in the dilemmas they face, affords time for establishing trust within the family and between family members and the OD practitioner, and builds communications skills. Tools to help gather data include confidential interviews of a range of stakeholders, individual and business profiles, and a *genogram*, which is a visual representation of the family history, similar to an organization chart.[132] The genogram enables the practitioner to understand the intergenerational dynamics and to analyze how the family came to be who they are by identifying the patterns and issues that have been passed down. The individual, confidential interview is perhaps the most powerful tool for gathering data and intervening in the system. It is critical to assess not only the pressing business issues, but those that are in the family system and the shareholder arena, as well as determining what boundaries exist between the subsystems, including how communications flow.

Key questions for understanding the family business system include the following:

1. Describe what long-term "personal success" means to you and your own personal vision of the future.
2. What is most important to your family?
3. Tell me about the best time that you have had with the family. Looking at the entire experience, recall a time when you felt most alive, most involved, most excited. What made it a great experience? Describe the event in detail.
4. Describe what "business success" for your company means to you. For example, what would your company look like if it were operating at its very best? What is getting in the way of that success? What is your role?
5. As a shareholder in this business, what do you want most from your investment?
6. How much agreement (alignment) exists between the family, the business leaders, and the shareholders about the vision, values, policies, goals, and strategy for the family business?

Feedback and Planning Providing feedback to family business members often includes a one- to two-day off-site session to review a "discussion guide" (as opposed to a completed document) that summarizes key issues, priorities, and recommendations. This session should be the *second* time the group has come together and can be viewed

as an opportunity to facilitate the practices of good communications, group decision-making, and conflict resolution. The more the practitioner can help those in the system build competency in these areas, the stronger and more sustainable the family business system will be. Among the typical issues found in diagnostic results and the discussion guides are lack of role clarity; lack of shared vision for the family, the shareholders, and the business; a dearth of communications; conflict between family members; and systems, processes, and structure deficiencies. The goal for the meeting is for the family to identify and agree on key issues, priorities, and next steps. Building good communication practices (e.g., regular family meetings) and resolving conflict are two common starting points for work with family firms. These interventions are good places to begin to "name" the particular value dilemmas inherent in the particular system.

Table 24.3 identifies the most common interventions in family business systems today.

1. **Strategic.** Strategic interventions, including mission and vision development, capability identification, and goal setting, are an appropriate place to begin work

[Table 24.3]

Typical Family Business Intervention Areas

TYPE OF INTERVENTION	BUSINESS	FAMILY	SHAREHOLDER
Strategy	• Vision, mission, values • Goals and strategic initiatives • Organization capabilities	• Mission, values, goals • Policies • Activities	• Values, goals • Policies regarding Risk tolerance Dividends Exit strategies Investment and ROI Liquidity
System	• Human resource • Technical • Information/ management • Culture	• Communications • Education • Social • Succession • Compensation • Philanthropy	• Shareholder agreement • Estate plan • Ownership succession • Communications
Structure	• Management team • Board of advisors or directors	• Family council	• Shareholder forum
Process	• Coaching founder/ current leader • Coaching next generation leaders/ leadership teams • Management team building • Conflict resolution • Role clarity • Board development • Board policies	• Conflict resolution • Communication planning • Family business education • Family/business roles, responsibilities, and boundaries • Meeting management • Family charter • Family policies	• Forum development • Forum policies • Communication planning • Shareholders' roles, responsibilities, and boundaries • Conflict resolution

with a family business system as many family business issues stem from a lack of alignment around shared vision and values. Members of each subsystem—the business, family, and shareholders—need to dialogue and create a shared view of the future and an appropriate set of goals. In reality, there is a good amount of overlap between members of each subsystem so the family business OD practitioner must continually clarify roles, responsibilities, and boundaries. Strategic business planning is appropriate only after the family and shareholder subsystems have aligned on a set of values, goals, and shared vision for the family business. In addition, the process should be an iterative one with open communications between the appropriate family and shareholder governance structures.

2. **Systems.** System interventions include traditional OD approaches in the business, such as human resource policies and procedures, technical operations, information/management systems, and organization culture. Many family firms can benefit from formalizing their business systems, including performance management, succession planning, leadership development, rewards, core process improvement, information technology implementation, and recruiting. Family and shareholder systems tend to be less formal. Interventions in the family subsystem can focus on communications, education, family succession, compensation, and philanthropy while shareholder agreements, estate planning, ownership succession, and communications are appropriate in the shareholder subsystem.
3. **Structure.** Governance structures are necessary for all three subsystems so that effective communications and coordination can occur among these complex systems. The business system benefits from a professional management team, led by a qualified CEO who reports to a board of advisors or board of directors. Outside board members should be roughly balanced with inside board members; the former should be skilled at earning the trust of the family and working with members of both the senior and the junior generation.[133] The shareholders' subsystem requires its own governance structure—a shareholders' forum. Here, active and inactive shareholders can meet to develop their goals, review the performance of their investment, and make important decisions about family ownership. Finally, the governance structure for the family—the family council—is a place for the family to plan for their future, to nurture and develop its members, and to continually determine to what extent the business will be able to fulfill their needs.
4. **Process.** Process interventions can be very effective with family firms. This is especially true if the source or resolution of the client's problem is unknown and the nature of the problem is such that the client would benefit from involvement in its diagnosis.[134] Process interventions in the business system include coaching both the founder/current leader and the next-generation leader, team building, conflict resolution, and board development. Typical family process interventions include conflict resolution, communications and family meeting facilitation, and family charter development. The shareholder subsystem requires process interventions in the areas of forum development, communications/boundary management, and conflict resolution.

Implementing and Evaluating Change There are various levels of consultant involvement in implementation. It is important to understand where involvement will support intervention success, where organization members can be "coached," and where members can take primary responsibility for implementation. High involvement is almost always needed in the first stages of implementation, where activities typically include establishing goals and milestones, creating a shared vision, establishing boundaries for family and business roles, and facilitating productive communications. Also in the early stages, the OD practitioner can communicate the importance of establishing and keeping to an implementation timetable and meeting regularly to resolve the

many family–business interface issues that arise. Once the implementation phase is well under way, a six-month or annual retreat can help to assess change process and effectiveness, reconnect with the family, and create plans around new family, business, and/or ownership transitions. The continual transitions that occur in a family business provide a unique opportunity for an OD practitioner to become a long-term, trusted advisor.

SUMMARY

Traditionally, the published material in organization development has focused on applications in industrial organizations. This chapter presented broad applications of OD in nonindustrial organizations, such as health care, schools, government agencies, and family firms. The results of these change programs to date suggest that OD is not only being applied successfully but also needs a greater range of customized diagnostic methods and interventions, and it must be clear about the values in use when it is applied to nonindustrial settings.

Jean Ann Larson pointed out how dramatic changes in the health care industry are affecting the practice of OD in that setting. She noted how changes in the nature of the health care product and the way it is delivered, how technology is being adapted, and how health care is paid for are altering fundamentally the industry's structure and making it more difficult to identify the target of change. To be effective under these new conditions, OD practitioners will be under considerable pressure to demonstrate their competence in areas such as culture, alliances and networks, and organization design. Change projects will likely be focused on integrating a diverse set of previously uncoordinated stakeholders. They will be more reactive than proactive; more solution oriented than people oriented.

Linda Purrington and Paul Sparks described the decline of the traditional model of education, one that had been based on principles of industrial organization. They suggested that close public scrutiny from multiple stakeholders and shifts in technology and society are demanding a new model, one that leverages technology and shifts the goals of the system to learning. Despite recent failed attempts at reform, a variety of OD programs hold great promise to shift the focus of education to the development of learning communities.

Ray Patchett's section suggested that the public sector is more bureaucratic and adheres more strongly to bureaucratic norms than does the private sector. Thus, differences between the two sectors stem largely from differences in underlying value structures that encourage people to behave in different ways. He indicated that many of the differences between the public and the private sectors may be a matter of degree, rather than kind. Further, the public sector has multiple access by multiple decision makers, which can make it difficult to know who is really at the top of the organization. Thus, OD interventions in the public sector focus more on technostructural interventions, such as workflow design and structure, than on process-oriented interventions, such as team building. Despite these differences, OD interventions in the public sector have an admirable track record of success, nearly equal to the success rate in industrial settings.

Otis Baskin presented a family business system model to underscore the important differences between traditional organizations and family businesses. The family, business, and ownership subsystems hold distinct and often-conflicting values that make diagnosis and intervention in family businesses complex. The model also served as a diagnostic framework to guide inquiry into a family business. Effective OD interventions must account for these three subsystems, the relationships among them, and be sensitive to the family interpersonal dynamics that are likely to pervade the entire effort.

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25

Future Directions in Organization Development

The field of organization development continues to grow. New methods and interventions are being applied, more complex and rigorous research is being conducted, and organizations from more diverse countries and cultures are becoming involved. Because so much change has occurred in a relatively brief period, predicting the future of OD is risky if not foolhardy. On the other hand, the field is also maturing and it is useful to look at the forces influencing how OD is likely to evolve. This knowledge can enable OD practitioners, researchers, and managers to more readily affect a relevant OD future. The chapter first identifies three trends within the OD field that are pushing it toward different futures. The implications of these trends are discussed. The chapter then describes trends in the larger context within which OD operates, including economic, workforce, technology, and organization trends. It concludes with a discussion of how these trends are likely to influence future OD practice.

TRENDS WITHIN ORGANIZATION DEVELOPMENT

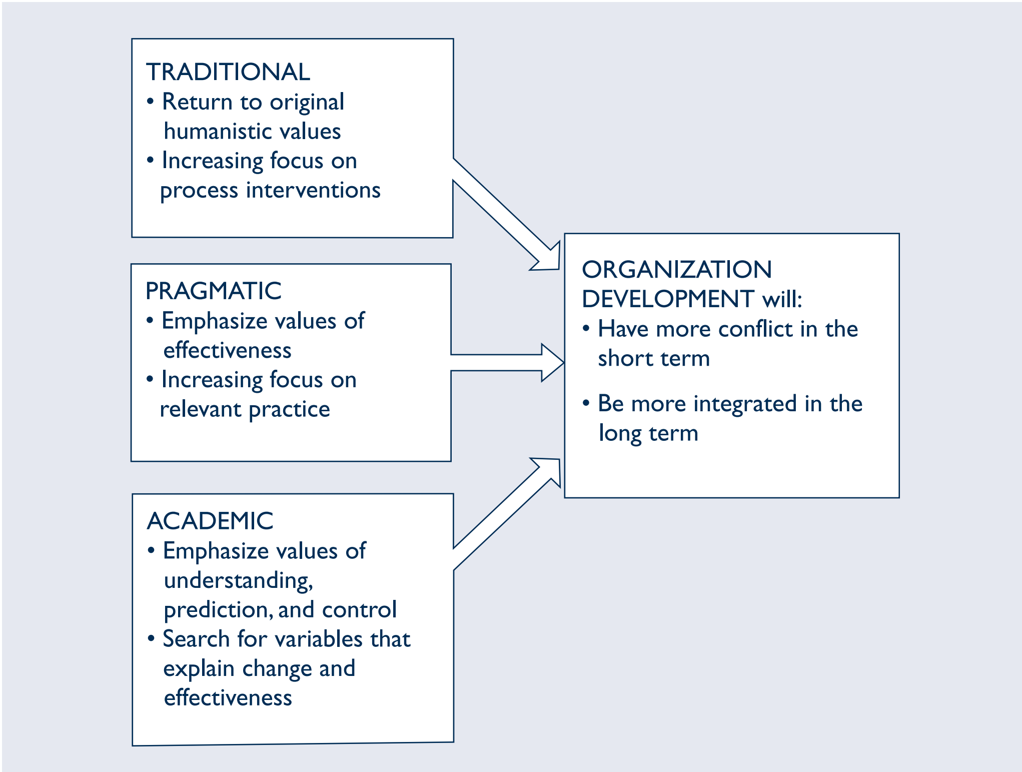
In updating his OD bibliography (http://www.cba.bgsu.edu/mod/html/od_bibliography.html) for 2005, Glenn Varney noted that much of the recent writings in OD had focused more on the status of the field than on evaluations of practice or research on the processes of change.[1] In support of that observation, reviews of the literature, conversations within Internet listservs, and the diversity in OD education and training opportunities suggest three trends occurring within OD—characterized as traditional, pragmatic, and scholarly.[2] Each trend has a different vision of what OD can and should be, and although they are presented separately, they are not mutually exclusive or independent. On the contrary, the future of OD will no doubt emerge from their integration. Figure 25.1 summarizes the trends and their likely implications for the future of OD.

Traditional

The first trend has to do with increasing calls for a return to OD's traditional values and practices. Championed by the National Training Laboratories (NTL) and others, traditionalists argue that OD should be driven by long-established values of human potential, equality, trust, and collaboration. The major objective of OD should be to promulgate these root values through interventions that humanize work, organizations, and society; help employees balance work and family life; promote diversity and spirituality at the workplace; and champion the self-actualization of organization members.[3] Thus, traditionalists propose that OD should do what is "right" by assuring that organizations promote positive social change and corporate citizenship.

[Figure 25.1]

Trends Within OD and Their Impacts on OD's Future



A strong focus on process interventions also characterizes the traditional trend. OD's key purpose, according to this view, is to ensure that organizational processes are transparent, possess integrity, treat people with dignity, and serve diverse stakeholders. Thus, OD's primary goal is to help organizations create such processes; whether they subsequently lead to performance outcomes is of secondary importance.

Pragmatic

The second trend within OD is related to increasing demands for professionalization of the field and an emphasis on relevance. Championed by the change management practices at large consulting firms and some OD professional associations, pragmatists argue that OD practitioners should be certified like most other professionals.[4] This drive to professionalize OD is in response to a growing number of people marketing themselves as OD practitioners without any formal training or education in the field, as well as a lack of consistency in applying OD's core theories, skills, and interventions. As a result, distinguishing between qualified and unqualified OD practitioners can be a difficult challenge for organizations, and professionalization of the field can help to remedy that problem.[5]

To become a profession, according to pragmatists, OD should require certification of members, create a common body of knowledge, define minimum levels of competencies, and institute other regulatory infrastructure. Certification would create boundaries between who is (and is not) an OD professional and what is (and is not) OD practice.

The pragmatic trend is also distinguished by an emphasis on change technologies, typically under the banner of "change management." In contrast to OD's "soft" reputation, change management is viewed as a highly relevant and applied practice, much like medicine, engineering, or accounting.[6] It focuses on helping organizations implement change and adapt to turbulent environments. Relevance, a minor chord among traditionalists, is a major theme among pragmatists, who value the performance outcomes of OD work. Thus, process interventions are not seen as ends in themselves but as means for implementing change and achieving the desired results.

Scholarly

The third trend within OD is connected with the increasing number of people making research contributions to our understanding of change. Championed by universities and applied research centers, such as USC's Center for Effective Organizations and MIT's Society of Organization Learning, scholars propose a "research agenda" for OD that includes (1) how multiple contexts and levels of analysis affect organizational change; (2) the inclusion of time, history, process, and action in theories of change; (3) the link between change processes and organization performance; (4) the comparative analysis of international and cross-cultural OD interventions; (5) the study of receptivity, customization, sequencing, pace, and episodic versus continuous change processes; and (6) the partnership between scholars and practitioners in studying organizational change.[7]

The scholarly perspective focuses on understanding, predicting, and controlling change. It is far less concerned about how OD is defined, what its values are, how it is practiced, or whether an OD practitioner is involved except as potential explanations for change success. OD is just one of several ways organizations can be changed. Unlike traditionalists and pragmatists, scholars are concerned with creating valid knowledge, and with generalizing conclusions about how change occurs, how it is triggered, under what conditions it works well, and so on. Similar to the traditional and pragmatic trends, however, the scholarly trend is connected to the actors involved in change; its favored methodology is action research but from a more distant and detached perspective than the other two trends.

Implications for OD's Future

Those three trends are likely to have important consequences for OD's future. In the short term, advocates of each view will likely continue on their separate paths with periodic and perhaps intense conflicts among them. In the longer term, however, there should be increasing attempts at reconciling these differences and generating a more integrative view of OD.

OD Will Have More Conflicts in the Short Term Current views and debates about OD values and professionalization are likely to continue at least in the near term. The traditional and pragmatic trends hold different and often-conflicting views of how the field should evolve. Traditionalists fear that OD is becoming too corporate and may unwittingly collude with powerful stakeholders to promote goals that are inconsistent with OD's social responsibility and humanistic values. For example, corporate strategies can concentrate wealth and ignore cultural diversity. Technology can isolate people and alienate them. The traditionalists, therefore, advocate for a stronger focus on the central values of the field. Pragmatists, on the other hand, worry that relying too heavily on traditional values will reinforce OD's "touchy-feely" orientation. They argue that focusing on human potential exclusively will doom OD to irrelevance in today's highly competitive organizations. Thus, in the short term, the battle over values within the field is likely to continue.

Symbolic of the struggle, no fewer than three formal projects are under way to clarify OD's values. Each effort is championed by a different institutional sponsor, relies on a different set of OD practitioners, and argues that their results will clarify this important issue for the field. The ongoing conflict in the field is therefore likely to continue and may become even more intense as additional values, such as ecological sustainability and economic equality, enter the OD field.

OD is also likely to face more disagreement over professionalization. The debate over values discussed above demonstrates how difficult it will be to gain agreement about standards, competencies, enforcement mechanisms, and oversight. Unless a groundswell of support for a common set of OD values emerges, judgments about qualifications will likely become caught up in conflicts between the traditional and the pragmatic perspectives. Several prior attempts to professionalize the field or to accredit practitioners have had limited success, and provide ample evidence of the difficulty of resolving such differences.

OD Will Become More Integrated in the Long Term Despite the conflicts likely to continue in the short run, there is considerable common ground among the diverse trends within OD, and the emergence of a more integrated view of the field seems likely in the long term. For example, both the traditional and the pragmatic trends agree that applying behavioral science to organizations can improve effectiveness and increase member satisfaction. Both trends believe that knowledge and skill should be transferred to a client system, and all three trends believe that a body of theory and practice underlie the process of change in organizations.

Given OD's history, its long-term future is likely to be some blend of practitioner values in use (traditional trend), professional change practice (pragmatic trend), and change theory (scholarly trend). The field is not likely to be completely pragmatic and ignore its values base; there is little likelihood that it will return to its purely traditional roots and be irrelevant to business; and the subject of change is too important and personal to be left to research alone. A more limited integration is also problematic. A pragmatic and research-driven OD would be cold and impersonal; a traditional and research-driven field would be naïve and irrelevant to economic realities; and a traditional and pragmatic-driven OD would be intuitive and non-cumulative. An integration of the three trends, on the other hand, will assure that OD has moral purpose, drives sustainable bottom lines, and represents a healthy balance of art and science.

A set of integrated values, including participation and effectiveness but recognizing the tension between them, will drive the traditional and pragmatic trends to exploit the common ground in theory and practice. For example, the theories of change underlying traditional action research; positive scholarship and practice; contemporary approaches to change, such as network models, complexity, and chaos theories; and the evolution of underorganized systems can be integrated. The practical benefits of traditional objective approaches and the traditional values reflected in a social constructionist view hold promise for a new view of OD.

This integrated view will challenge the field to redefine existing views of work, competition, culture, and organizations. OD cannot view systems only as objects with inertia, structure, resistance, and permanence, but as social processes produced, maintained, and changed through conversations that are flexible, aspirational, and changeable.[8] A positive view of organizations and their members' potential aligns well with the traditional trend, and it supports values of basic human rights, social responsibility, democracy, and ecological sustainability. This view of organizations also supports the pragmatic trend; it recognizes the importance of economic viability, the time value of activity, and the opportunities that growth conveys. If carefully applied, an integrated objective and socially constructed perspective can be an influential voice in OD's future.

TRENDS IN THE CONTEXT OF ORGANIZATION DEVELOPMENT

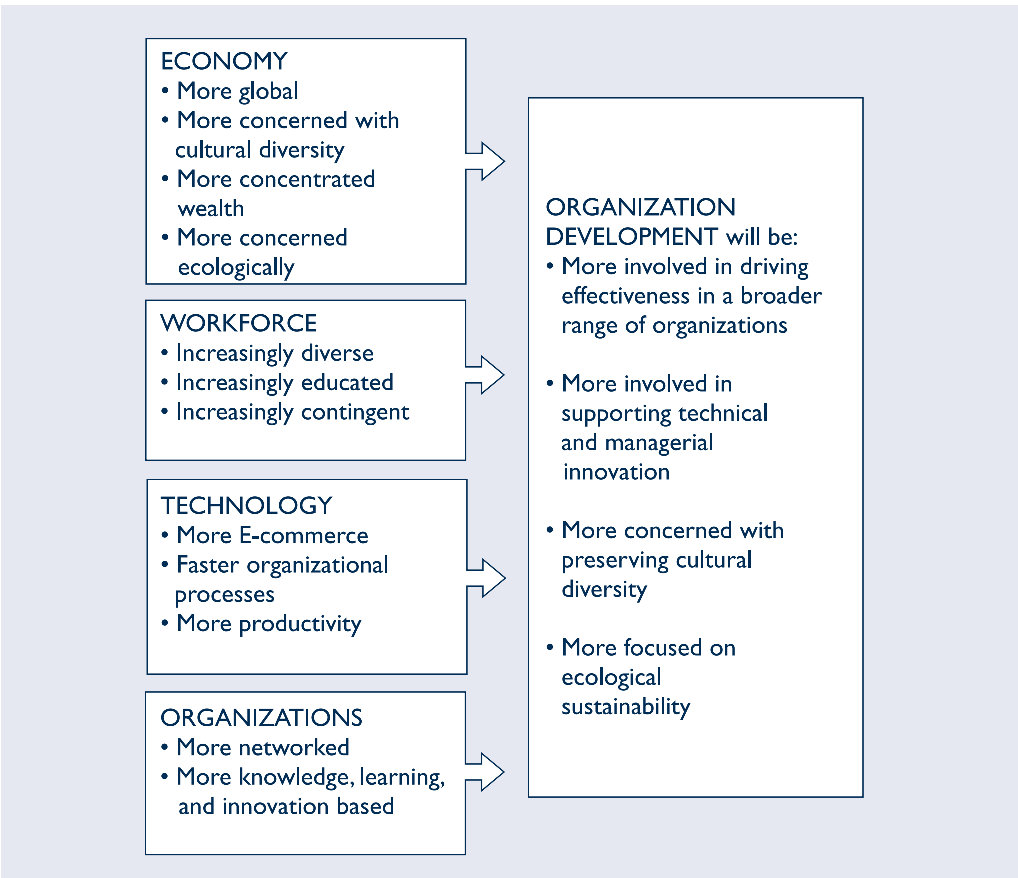
The field of OD is evolving, but so too is the context within which OD is applied. As summarized in Figure 25.2, several interrelated trends are affecting the context within which OD will be applied in the near future. They concern various aspects of the economy, the workforce, technology, and organizations. In some cases, the trends will directly affect OD practice. Technology trends, such as Internet portals, voice over the Internet, and wireless networks, will no doubt influence how OD practitioners communicate with organization members, facilitate teams, and manage change. Other trends, such as the increasing concentration of wealth, represent important contextual forces that will indirectly affect OD through their interaction with other trends.[9]

The Economy

Researchers and futurists have described a variety of economic scenarios, and there is substantial agreement that the world's economy is in the midst of a transition from the industrial age that characterized much of the twentieth century.[10] Although these scenarios differ in their particulars, they all fit under the rubric of *globalization*, and many of the same trends are identified as drivers, including technology, workforce, and organization, which will be discussed separately.

[Figure 25.2]

Contextual Trends and Their Effects on OD's Future



The fall of the Berlin Wall, the end of Apartheid, the breakup of the former Soviet Union, the creation of the European Union, terrorist attacks in many different countries, and the emergence of the Chinese and Indian economies are key events in the transition to a global economy. Organizations from around the world are increasingly able to shift their manufacturing from high- to low-labor-cost countries, execute international mergers and acquisitions, and build worldwide service businesses. Today, almost any product or service can be made, transported, and bought anywhere in the world. Globalization can help companies reduce costs, gain resources, expand markets, and develop new products and practices more quickly.

The emergence of a global economy is well under way, but the promise and rationalization of that process is far from complete.[11] The initial steps toward globalization have fueled real price decreases in many consumer products, provided employment for people in less-developed nations, and driven revenue growth in a variety of industries. However, the transition to a global economy is for the most part unmanaged, and there is increasing concern over its social and ecological consequences.[12] This raises troublesome questions about three key issues: *cultural diversity*, *income distribution*, and *ecological sustainability.*

First, transitioning to a global economy is a complex and daunting process that involves organizations, technology, people, and governments. The role and function of national governments and the importance of cultural diversity in the process is not well understood. There are few generally accepted guidelines. On the one hand, some economists argue that globalization is good for countries and cultures.[13] They cite numerous examples of how music, art, political thought, technology, and other artifacts of culture have crossed boundaries and enriched people's experiences.

Others argue that governments must face the difficult choice of preserving or sacrificing their culture. Friedman notes that cultural preservation may come at the expense of participation in the global economy while greater economic success may depend on cultural sacrifices.[14] For example, the Chinese government is trying diligently to preserve its cultural and political underpinnings while facing a rapid influx of capitalist goods and services,[15] and many other developing nations face pressures to move to a Western capitalism model despite questions as to whether it is appropriate for their cultures.[16] Organizations implementing global strategies (Chapter 23), for example, prefer standardized approaches because the economic logic of this strategy admits to little practical incentive to account for cultural or governmental differences. Pursuing both cultural preservation and economic participation is possible, but it is a complex task. The short-term financial benefits often appear much larger than the long-term social consequences, and the required leadership and management capabilities are not widely available. The decisions governments make to resolve this dilemma will dramatically shape the character of the global economy.

Second, globalization of the economy is closely related to an increasing concentration of wealth in relatively few individuals, corporations, and nations. The CIA's report, *Global Trends, 2015*, concluded that globalization will create "an even wider gap between regional winners and losers than exists today. [Its] evolution will be rocky, marked by chronic volatility and a widening economic divide . . . deepening economic stagnation, political instability, and cultural alienation. [It] will foster political, ethnic, ideological, and religious extremism, along with the violence that often accompanies it."[17] Consider the following:

- U.S. Census data confirms that the share of total income accounted for by the top 20% of households increased from about 43% to over 51% between 1975 and 2005, while the bottom 20% of households saw their share drop from 4% to 3%.[18]

- Using a conservative measure of CEO pay, the Economic Policy Institute estimates that in 2005 the average CEO in the United States earned 262 times the pay of the average worker, the second highest ratio in the 40 years of their data collection. (Other estimates have put the ratio as high as 431:1 for 2004.) To put this in perspective, a CEO earned more in a day than the average worker did in a year.[19]
- The 793 billionaires in 2006 represent an increase of 103 people between 2005 and 2006. Representing about 0.00001% of the world's population, their net worth of $2.6 trillion accounts for about 19.5% of the U.S. gross domestic product.[20]
- Of the world's 6.2 billion, 5.2 billion live in low- and moderate-income countries and survive on about $3 a day.[21]

The concentration of wealth may be a natural outcome of capitalism facing imperfectly competitive markets, but it can also contribute to misallocation of resources, environmental degradation, and short-term thinking.[22] For example, the financial markets' focus on quarterly earnings can skew decision-making criteria to delay preventive maintenance or safety initiatives, to postpone implementation of necessary environmental-protection equipment, or to forego important long-term capital investments. The concentration of wealth can also contribute to social conflict driven by fears that the wealthy will act in their own self-interest at the expense of those who are financially less fortunate. The recent history of the WTO provides visible examples, such as the cancellation of the 2003 meetings in Cancun, Mexico, because developing nations banded together against developed countries who were accused of not listening to requests for modifications in trade agreements.

Third, there are increasingly clear warnings that the ecosystem can no longer be treated as a factor of production, and that success cannot be defined as the accumulation of wealth and material goods at the expense of the environment. There are strong pressures to fuel economic growth, for example, by exploring and developing oil fields in sensitive and protected areas such as the Arctic National Wildlife Refuge. Yet, sport-utility vehicle (SUV) demand remains strong despite concerns over safety and low gas mileage. If SUVs complied with the same fuel-economy standards as ordinary cars, the United States would save 1 million barrels of oil a day, more than the Arctic National Wildlife Refuge could produce at peak volumes.[23] These concerns arise in part from the proliferation of capitalism, but also from the growing realization that free and open markets can have negative unintended consequences for the global ecosystem.

The conclusions from the Intergovernmental Panel on Climate Change suggest that industrialization is not a controversial but a probable cause of global warming.[24] Several traditional organizations, such as BP and Royal Dutch/Shell, are reversing long-held opinions about their contribution to environmental decay by setting aggressive goals to reduce greenhouse gases.[25] Unfortunately, many developing economies, including China, the Philippines, and Mexico, continue to operate with loose environmental controls. As a result, there are more calls for change in the values underlying capitalism—from consumption to investment, from open to mindful markets, and from wealth accumulation as an end in itself to an examination of the return on living capital.[26] Some observers note that such value shifts are already under way in many nations and organizations. For example, traditional business models that assume labor scarcity and natural resource abundance are being tempered by models that emphasize the abundance of knowledge and the scarcity of natural resources. A handful of companies, including IKEA, Interface, Honda, S. C. Johnson, and Hewlett-Packard, have altered their operations and practices radically to reduce emissions, waste, and environmental degradation and to increase sustainability, profits, and customer satisfaction.

The Workforce

The workforce is becoming more diverse, educated, and contingent. Chapter 18 documented the diversity trend and suggested that organizations, whether they operate primarily in their home country or abroad, will need to develop policies and operating styles that embrace the changing cultural, ethnic, gender, and age diversity of the workforce.

The workforce is also becoming more educated. The 2006 U.S. Census data, for example, report that 84.1% of adults over 25 years of age have completed high school and that 27% have a bachelor's or higher degree. Both numbers represent similar proportions compared to 2002 but significant increases compared to 2000. A more educated workforce is likely to demand higher wages, more involvement in the decision-making process, and continued investment in knowledge and skills. For example, the rate of change in information systems technology requires IT professionals to continually update their knowledge and skills to remain competent. In response, organizations are increasing their training and management development budgets significantly.[27] Many organizations, such as Motorola, Capital One, Boeing, and Harley Davidson, have invested in corporate universities and corporate–university partnerships, and many others have policies outlining the minimum hours of technical and managerial training that each employee will receive yearly.

Finally, the continued high rate of downsizings, reengineering efforts, and mergers and acquisitions described in Chapters 14 and 19 is forcing the workforce to become more contingent and less loyal. The Bureau of Labor Statistics reports that contingent and "alternative arrangement" workers, including temporary and contract employees, freelancers, independent professionals, and consultants, made up between 12.4% and 14.8% of the workforce in 2005.[28] The implicit psychological contract that governs relationships between employers and employees is being rewritten with new assumptions about long-term employment and rewards in exchange for commitment and loyalty. For example, a study by the National Association of Temporary and Staffing Services found that 90% of companies use temporary help.[29] Other studies have suggested that the personnel supply services industry, about 90% of which is involved in providing contingent employees, will be among the top five fastest-growing industries. One article noted that the contingent staffing industry doubled in size between 2002 and 2007 and would grow to about $200 billion in 2010.[30]

Technology By almost any measure, information technology is a significant and increasingly common fact of life. An estimated 150.9 million worldwide Internet users in 1998 grew to 605.6 million in 2002. [31] In 2007, according to an Internet World Stats estimate, more than 1.24 billion people were on the Internet, and of those, 37% were in Asia.[32] The Internet is the backbone of a global economy, and although the technology sector has suffered financial setbacks, few people doubt its future importance.

At the core of information technology is E-commerce, an economy that knows no boundaries.[33] E-commerce involves using automated teller machines, buying games on your cell phone, buying and selling products and services over the Internet, and selling advertising space. This range of activities makes estimating the size of the E-commerce market difficult. For example, one study estimated that worldwide online retail sales grew 22% to $143.2 billion for 2005 while the U.S. Census Bureau estimated that U.S. online retail sales for 2006 grew about 20% to $119 billion.[34]

Two types of E-commerce seem particularly relevant to OD's future: business-to-consumer and business-to-business. The business-to-consumer market garners much attention and awareness because it is how the public participates in E-commerce. This market, which includes E-tailers such as Amazon.com, eBay.com, and Fandango.com, is expected to grow in the United States from $172 billion in 2005 to over $329 billion by 2010.[35] In these businesses, OD must help to create and implement

novel business models. Dell Computer, for instance, sells custom-made computers to consumers and businesses, but it started out as a mail-order company advertising in the back of magazines. More than 25% of its computer sales come through the Internet. The shift in organization structures, labor skill sets, work designs, and work processes in the transformation from a mail-order business to an E-commerce leader represents the kind of change that many organizations will face and the challenges OD practitioners must meet.

The organizational issues in the business-to-business market are even more complex. A good example of the implications and potential of this market is the global automobile industry's creation of an online store. In February 2000, the major automakers jointly addressed escalating costs and gross inefficiencies of their supply chain to create Covisint, a new business that leveraged the power and potential of the Internet to solve industry-specific business problems in real time. Today, Covisint supports over 266,000 users, representing more than 30,000 organizations in over 96 countries in the global automotive industry. In addition, Covisint has moved into the health care industry and supports over 15,000 users, representing more than 450 North American health systems, commercial payers, physician groups/practices, home health agencies, third-party administrators, extended care facilities and home medical equipment providers. Covisint migrates an entire industry's supply chain onto the Internet and reengineers radically the way businesses interact with each other. Web-based transactions are replacing the inefficient phone, mail, and face-to-face sales call processes that dominated these industries.

In addition to providing the infrastructure for E-commerce, technology is also changing and enabling a variety of organizational processes. New technologies, such as SAP or PeopleSoft, drive changes in how information and work processes are coordinated and managed; they also require modification in the way productivity is measured. For example, the implementation of enterprise resource systems and supply-chain management programs must integrate with existing work processes and the competencies of organization members. This requires adjustments in the entire sociotechnical system and how it interfaces with customers, suppliers, regulators, and other stakeholders.

Finally, we are gaining a clearer picture of the way technology affects productivity. For example, for years, economists were puzzled by a "productivity paradox." Despite a 30-year, $2 trillion investment in computers and technology, productivity rose very slowly during the 1980s and early 1990s. But in 1999, productivity rose 2.9% in the United States (and 5% in the last six months of 1999), nearly twice the 1.5% average annual gains seen since the early 1970s. The biggest gains were in manufacturing, but service businesses such as transportation, trade, and finance also started to see a payoff from new technology investments. This productivity lag apparently resulted from the relatively long time it took for organizations to adopt the new technology and to learn how to apply it.[36] For example, Countrywide Home Loans, one of the largest mortgage lenders in the United States, began experimenting with technology solutions in the late 1980s. The benefits of technology investment did not pay off until a 1997 implementation of an automated information system in its customer service center helped reduce the average cost per call from $4 to less than $0.60 on more than 20,000 calls per day. The increased productivity has not cost jobs; Countrywide nearly doubled its workforce between 1996 and 1999.

Organizations

The final trend likely to shape OD's future involves the increasingly networked and knowledge-based nature of organizations. The interventions described in this book help organizations become more streamlined and flexible, more capable of improving themselves continuously in response to economic and other trends, and more effective.

A large proportion of organizations are not aware of these practices, however, and still others resist applying them.[37] Despite the attention to them in the business press, only a small percentage of organizations use self-managed work teams, are organized into networks, successfully manage strategic alliances, or have organization learning programs. But these organizations are harbingers of the future, and they will invent entirely new, entrepreneurial structures capable of exploiting new ideas and technologies quickly.

Clearly, organizations are becoming more networked. As explained in Chapters 14 and 19, network structures rely on collaborative strategies and allow single organizations to partner with other organizations to develop, manufacture, and distribute goods and services.[38] More than any other organization form, networks hold the promise of realizing the economic opportunities presented by globalization without the negative social consequences of large multinational corporations.[39] Large organizations that gain economies of scale in manufacturing, distribution, and marketing can also become rigid and slow, and indifferent to unintended social and ecological consequences. These latter outcomes can be disastrous in today's rapidly changing environments and cannot be easily remedied in the future. Networks, on the other hand, enable small organizations to access the advantages of scale and scope traditionally reserved for large firms. Small, focused firms that perform particular tasks with excellence can align with organizations that have complementary resources and expertise. These networks are highly adaptable and can disband and reform along different task or market lines as the circumstances demand. To succeed, organizations are learning how to assess quickly whether they are compatible with network partners and whether the joint product/service is successful. They are gaining competence to form and end networks swiftly, thus enabling them to exploit product/market opportunities rapidly and to "fail quickly" when the network is unproductive.[40] Because each network node (organization) is small and local, resident cultures and ecosystems are more likely to be preserved.

Finally, in an organizational world that is technically enabled, fast-paced, and networked, there will be a premium placed on learning and knowledge management. This increasingly important source of organizational capability and competitive advantage will require unprecedented amounts of innovation and coordination. Multiple stakeholders representing a diversity of interests will come together to envision a shared future and to learn how to enact it.

Because this process typically leads into uncharted waters, both organizational members and OD practitioners will be joint learners, exploring new territory together. Moreover, implementing new organizational innovations will require significant amounts of experimentation as members try out new ways of operating, assess progress, and make necessary adjustments. In essence, they will learn from their actions how to create a new strategy, organization, or product/service. Such collaborative learning is capable of implementing radically new possibilities and ways of functioning that could not be envisioned beforehand. It is a process of *innovation,* not of detection and correction of errors. In turn, the new structures and systems will increase feedback and information flow to the organization, thereby improving its capacity to learn and adapt to a rapidly changing environment. They will transcend both internal and external organizational boundaries, remove barriers to learning, and facilitate how employees acquire, organize, and disseminate knowledge assets.

Implications for OD's Future

The definition and practice of OD in the future will depend on the forces within OD as well as the economic, workforce, technology, and organization trends outlined above. Although a variety of scenarios are possible, we chose to present a likely and positive picture.[41] Figure 25.2 summarizes this view.

OD played a powerful role in organization and social change in the 1960s and 1970s. A set of shared values, including involvement and participation, and a complimentary set of practices, such as team building and survey feedback, shaped the way leaders and managers designed and operated organizations. Together, these integrated values and practices improved both human and economic outcomes.[42]

Recognizing the powerful influence that shared values and supportive practices can have, OD in the future will support a policy of "responsible progress." Responsible progress begins with an economist's definition of an effective system, integrates traditional OD and more recent effectiveness values, and promotes a set of practices to actualize those values. Economists traditionally define progress and economic health in terms of the development of products and services that make society better off, the ability to put scarce resources to their most efficient use, the capacity to support full employment, and the equitable distribution of rewards in relation to the risks people take in productive enterprise. Although few people would argue with these criteria, the trends discussed above suggest that there have been important unintended consequences of promoting those goals. For example, global warming and the concentration of wealth cannot be the metrics by which society is judged as "better off." The traditional criteria of progress either ignore the ecology and cultural diversity or make untenable assumptions about the market's ability to account for them.

Responsible progress addresses that gap by defining a policy that supports economic success and innovation, that promotes efficiency and progress, but incorporates cultural diversity and ecological sustainability to produce a more balanced view of effectiveness. It supports a set of traditional and effectiveness-related values as well as practices that reflect today's and tomorrow's organizations. The responsible progress policy asserts that individuals, organizations, and countries can pursue economic and personal success through open innovation that leverages and nurtures cultural diversity and the ecology.[43] It defines a vision, strategy, and future path for OD.

OD will work to shape a global economy populated with flexible, innovative, networked, and ecologically responsible organizations that thrive on cultural diversity. As an important influence of this world vision, OD is more likely to develop interventions that drive effectiveness in a broader range of organizations, support technological and managerial innovation, preserve cultural diversity, and advocate ecologically sustainable practices.

OD Will Be More Involved in Driving Effectiveness in a Broader Range of Organizations Responsible progress affirms that all forms of organizations should have the opportunity to be successful. It suggests, however, that success cannot be achieved at the expense of cultural diversity and the ecology. When OD lacks the shared values and applied focus of responsible progress, success can lead to cultural assimilation and ecological damage. The changing context of OD, in particular the economic and organizational trends, suggest that planned change in the future should be as concerned with effectiveness as it is with traditional values of participation and workplace democracy. It will also be applied to a more diverse client base.

Traditionally, OD focused on large business organizations, but three other types of organizations increasingly will become targets of planned change: *small entrepreneurial start-ups*, *government organizations*, and *global social change organizations.* Small, entrepreneurial start-ups are an important and underserved market for OD. Many of these organizations are at the forefront of the technology trends cited earlier. Because they are operating on scarce, expensive, and finite venture capital, time is their most valuable asset and the one most critical to their success. As a result, entrepreneurial firms generally have a clear action orientation, little perceived need to reflect and learn, and few structures and systems to guide behaviors and decisions.[44] This is a context that can be well served by fast, flexible change processes orienting new people quickly to

the business strategy, integrating them rapidly into new work roles, increasing the efficiency of work processes, and helping founders and key managers think about how the market, competitors, and technology are changing. Entrepreneurs are not inclined to think about nor are they trained to examine these issues. OD can help them gain the needed competence to address such matters.

Chapter 24 described the differences between public- and private-sector organizations and the implications of those differences for the practice of OD. The economic, workforce, technology, and organization trends are also pushing government organizations to become more efficient, flexible, and networked. Consequently, government is increasingly applying OD interventions such as strategic planning, employee involvement, and performance management, and we expect that the demand for change management expertise in the public sector will grow. Moreover, governments will become more proactive in managing the effects of global economic development. Public–private partnerships, a form of collaborative strategy, are also likely to flourish. They will require the assistance of OD practitioners who are sensitive to the differences between these two types of organizations and to the demands the partnerships will be under, such as environmental protection, corporate citizenship, and taxation.

Similarly, Chapter 23 described the application of OD in global social change organizations. The increasing concentration of wealth and globalization of the economy will create a plethora of opportunities for OD to assist developing countries, disadvantaged citizens, and the ecology. In China, for example, as the government breaks up the old "work unit" structure and creates market-facing enterprises, the need for NGOs to take over delivery of social services is likely to increase. For example, the Global Village of Beijing has begun campaigns to involve the Chinese people in pro-environment practices and to develop leaders for other NGOs; the China Brief has cataloged NGOs and provided a forum for their communication; the Chinese Association for NGOs (CANGO) provides capacity-building services to help NGOs become more effective; and the World Wildlife Fund (WWF) is partnering with corporations to initiate environmentally friendly policies. OD can help these organizations achieve their objectives, manage their resources, and improve their functioning through such interventions as team building, strategic planning, and alliance building.

Not only will OD be applied to a broader range of organizations, it will also be more concerned with effectiveness than in the past. A large portion of the interventions described in this text were developed in the 1950s and 1960s with the primary aim of increasing participation in organizational processes. As the global economy and information technology enable and push for faster, more flexible organizations, the ability to manage change continuously will become a key source of competitive advantage in all types of organizations. This suggests that OD practices will become more embedded in the organization's normal operating routines. OD skills, knowledge, and competencies can and should become part of the daily work of managers and employees.[45] This will diffuse change capabilities throughout the organization rather than limit them to a special function or role. It will permit faster and more flexible reactions to challenges faced by the organization. In addition to embedding OD skills in managerial roles, OD interventions themselves will be integrated into core business processes, such as product development, strategic planning, and supply-chain management. This should provide a closer linkage between OD and business results.

This does not mean that the role of the professional OD practitioner will go away. Professionals will be needed to help organization members gain change management competencies. Small, entrepreneurial firms will need specialized assistance in bringing on new members rapidly and organizing their efforts. Organizations involved in strategic alliances, mergers, and acquisitions will need professional help managing interorganizational interfaces, integrating diverse corporate cultures, and coordinating business practices. OD professionals will also be needed to assist in the implementation

of new technologies, particularly knowledge management practices. As supported by the contingent workforce trends, the demand for skilled OD practitioners is likely to increase rather than decrease. For example, there is some anecdotal evidence to suggest that as line and senior managers learn more about the knowledge and skills associated with OD practice, their requests for assistance in formulating change processes increase. Managers will look more frequently for help in leading and facilitating organization change.

OD's ability to influence responsible progress will grow as it becomes more concerned with effectiveness and more embedded in a broader range of organizations. As OD demonstrates its ability to solve problems or help the organization to be more agile and responsive to opportunities, it will become easier to suggest that leaders consider the ecological and cultural implications of their innovations. The promise and purpose of responsible progress encourages such a balanced view of success. Moreover, OD practitioners could begin influencing leaders to consider leveraging cultural and ecological resources to accelerate innovation and effectiveness. OD practitioners can help leaders make policy and implement actions that drive performance by leveraging cultural diversity and recognizing how the ecology can improve the long-term health of the organization, its people, and the planet.

OD Processes Will Be More Involved in Supporting Technological and Managerial Innovation According to the responsible progress policy, innovation is the primary driver of economic success. Innovation helps to create new products, services, and the processes to manufacture and distribute them (technological innovation) and the methods and activities necessary to govern and organize systems toward some goal (managerial innovation). Although technological innovation gets most of the attention in the research and business press, Hamel has recently argued that managerial innovation may be more important.[46] He argues that organizations are still managed and operated according to rules and principles laid down before World War I. If the future of organization effectiveness hinges more on managerial innovation than technological innovation, there is a clear opportunity for OD. The "open innovation" models of Chesbrough and the "built to change" (B2C) principles from Lawler and Worley (described in Chapter 21) represent two such sets of new management principles.[47] But there is much more that can be done. In the future, OD will be more involved in shaping technological and managerial innovation according to the principles of responsible progress.

There is little doubt about the pervasive influence of technological innovation on organizations. Increases in the speed with which data and information can be manipulated will drive the rate of new product and service development and the organizational changes needed to support those developments. The extent to which technology allows information to be shared within and between organizations will increase the speed and complexity of innovation, coordination, and other decision-making processes. The amount of information that can be stored and accessed greatly enhances the potential quality of decisions and actions, and the sheer amount of information that research, practice, and experience generates threatens to overwhelm our ability to make sense of it.

In general, these trends will shorten product, organization, and industry life cycles. Pressures to reduce the cycle time of innovation and the OD activities that support them are also likely to increase. OD practitioners must be mindful of opportunities to quicken the pace of innovation and to simultaneously remain aware of the practices and processes that cannot be hurried.

For example, innovation is likely to be more synchronous (anytime, anywhere) as well as more virtual and less face-to-face. In global organizations, innovation occurs in a variety of locations, cultures, and time zones. OD interventions that support

innovation, such as team building, employee involvement, and knowledge management, will have to be planned and implemented in ways that encourage contributions from a variety of stakeholders at times that are convenient or at times when creative ideas emerge. Social networking technology, such as instant messaging, Facebook, and Myspace, and knowledge management systems can enable organization members to make these contributions at any time they are ready. In addition, groupware technologies allow members to discuss issues in chat rooms and portals, in Web and video conferences, and in the more traditional telephone conference. IBM's CEO Lou Gerstner used these technologies to lead a vigorous discussion of corporate values, a process they called Values Jam, that involved organization members from around the world.

Using these technologies to exchange ideas, develop technologies, or discuss implementation will produce different types of group dynamics from those found in face-to-face meetings. OD practitioners will need to be comfortable with this technology and to develop virtual facilitation skills that recognize these dynamics. In many cases, a more structured and assertive approach will be necessary to ensure that all members have an opportunity to share their ideas. The effect of these technically mediated exchanges on work satisfaction, productivity, and quality is not yet known. In addition, processes of visioning, diagnosis, data feedback, and action planning will have to be reengineered to leverage new information technologies.

In addition, innovation processes will be adapted to ensure that members have more information at their fingertips. For example, organization intranets provide members with an information channel that is richer, more efficient, more interactive, and more dynamic than such traditional channels as newsletters and memos. Thus, intranets can provide a timely method to collect data on emerging technologies, to monitor progress on a development project or organization change, and to involve members in key decisions.

These same technologies can also support increased innovation speed by processing a wide variety of inputs in as little as a few hours. In coming years, technological advances in groupware and Web conferencing will increasingly be used to bring more people together faster than ever before. In short, there is real potential to reduce dramatically the time required to perform many OD practices.

Despite the enablement of increased innovation speed, there are physical, psychological, cultural, and ecological limits to reductions in the innovation and change cycle. It is not realistic to expect new product development and other forms of innovation to be instantaneous.[48] For example, managers often want product development to occur more rapidly or managerial innovations to be implemented more quickly. Announcing a technological breakthrough, drug formulation, or new method of operating is one thing, but its implementation often takes longer than expected because of cultural values, ecological concerns, or other unforeseen obstacles. A new organization chart or a new vision and values statement hung on members' office walls often gives the illusion that change has occurred, but the working relationships, process improvements, and other aspects of fully implementing new technologies or organizations often take longer than expected. Similarly, most organization members are not capable of dropping a well-known and understood set of behaviors one day and picking up a new set of behaviors the next with the same level of efficiency. Members can face a steep learning curve when they are asked to change their routines, and thus there are likely minimums with respect to the speed of change in individual behavior.

The impact that technical and managerial innovation can have on an organization's effectiveness is immense. They are key drivers in economic and social progress. Without the invisible hand of responsible progress to guide OD practitioners and the organizations they serve, however, they also contain the possibility of great harm to cultures and the ecology. To fulfill the promise of responsible progress, innovation must not only support economic success, but must do so in ways that do not standardize or

homogenize world cultures. Innovation must also unfold in ways that do not harm the ecology. OD practitioners can help organizations increase their innovative activity and raise the questions of diversity and ecology as the process unfolds.

OD Will Become More Concerned with Preserving Cultural Diversity As organizations and the economy become more global, it is clear that the recent growth of OD practice in international and cross-cultural situations will continue. This is a necessary but not sufficient step toward responsible progress.

Responsible progress assumes that the practice of OD is capable of working effectively across cultures. However, we know relatively little about planned change processes in cross-cultural settings. Traditionally, OD has been practiced in organizations within specific cultures: British-trained OD practitioners helped British organizations in Great Britain; Mexican OD practitioners helped Latin American organizations; and so on. But the current trends clearly point to the need for OD applications that work across cultures. Team-building interventions need to be modified to help a team composed of Americans, Indians, Chinese, Koreans, and French Canadians who have never met face-to-face but are charged with developing a new product in a short period of time. The merger-and-acquisition process needs to be adapted to help a Japanese and a U.S. firm implement a new organization structure that honors both cultures. Because the number of organizations operating in multiple countries is growing rapidly, opportunities for OD in these situations seem endless: interorganizational and network relationships between subsidiaries, operating units, and headquarters organizations; team building across cultural boundaries; working out global logistic and supply-chain processes; implementing diversity-centric values in ethnocentric cultures; designing strategic planning exercises at multiple levels. Moreover, OD is likely to find increased opportunities in GSCO organizations that are often part of an international network. Alliance development processes and network structure interventions adapted for cross-cultural contexts have yet to be developed and will have important applications in the future.

However, working across cultures or with multiple cultures is not the same as pursuing progress and innovation while preserving or even leveraging cultural diversity. Organizations today and in the future will operate in multiple countries, governments, and cultures. A single-minded pursuit of financial success can—consciously or unconsciously—undermine local cultures in service of greater efficiency, increased speed, or higher market shares. Developing and implementing business models and organization designs that operate globally but support local cultures will require significant managerial innovation. This is the promise and challenge of responsible progress. On the other hand, responsible progress does not suggest that preserving cultural diversity is an end in itself. If OD truly believes in diversity, then diversity must be a strategy that fuels innovation and economic progress. Biological diversity has always been the source of adaptation in nature, and the seeds of organizational responsiveness and successful change are in the innovative possibilities that exist when multiple viewpoints, values, and beliefs are heard and nurtured over time.

OD Will Focus More on Ecological Sustainability OD will become increasingly concerned with ecological sustainability. This will be true no matter the status of responsible progress. Limits to the world's ecosystem, including its capacity to absorb population growth, function with a depleted ozone layer, and operate with polluted waters, provide serious challenges to the traditional business model. New concepts, frameworks, and philosophies, including the Coalition for Environmentally Responsible Economics (CERES) principles, ISO 14000, The Natural Step, and natural capitalism, represent opportunities to make ecological sustainability a more deliberate and intentional value of OD. The natural capitalism model, for example, suggests that business strategies built around the productive use of natural resources can solve environmental problems at a profit.[49] Most sustainability models go beyond ecological concerns to promote a

multidimensional view called the *triple bottom line.* In line with responsible progress, the triple bottom line proposes that organization change and globalization should be guided by the economic, social, and ecological values that are added or destroyed. These three values provide a framework for measuring and reporting corporate performance. These values also guide how organizations go about minimizing harm or maximizing benefits through their decisions and actions to achieve innovation and effectiveness. This involves being clear about the company's purpose and taking into consideration the needs of all stakeholders—shareholders, customers, employees, business partners, governments, the ecology, local communities, and the public.

OD interventions to promote ecological sustainability are just being developed. The Natural Step, for example, proposes a set of guidelines for development and a process of change that aligns with an OD perspective.[50] It begins with a simple premise: Current economic models that are based on the assumption of growth cannot reconcile the increasing demand for and decreasing supply of finite and fundamental natural resources. The sooner this incompatibility is recognized and addressed, the larger the number of available and socially acceptable solutions. The Natural Step utilizes four "system conditions" to guide an organization's strategic decisions: (1) Substances from within the earth must not systematically increase in the ecosphere, (2) substances produced by society must not systematically increase in the ecosphere, (3) the physical ability of nature to renew itself must not be diminished, and (4) the basic human needs of all people need to be met with fairness and efficiency. Implementing these guidelines starts with building organizational awareness and knowledge of sustainability concepts and conducting a baseline assessment. Then a vision and strategic plan are created and necessary changes are supported one at a time.

Ecological sustainability interventions represent important and growing influences on global organizations. More and more organizations on the path to globalizing their business or rationalizing their existing worldwide strategy are including sustainability as one of their values. IKEA, Interface, and Motorola, among others, provide positive examples of alternative business models in practice. For example, Interface, a manufacturer of carpet products, has pioneered the idea of "leasing" its carpets. Under its "Evergreen Lease," they accept responsibility for keeping the carpet clean and fresh in exchange for a monthly fee. By installing carpet tiles instead of large rolls, and because only a small fraction of carpeting actually gets used, they can replace the tiles and save approximately 80% of the cost of carpeting materials. The model adds service revenues to the core business model and increases margins to its product line while radically reducing the organization's ecological footprint.

In the short run, ecological sustainability is likely to be a constraint on economic success and innovation. Most organization leaders and members hold assumptions about management and innovation that do not account for the ecology in decision making. Responsible progress challenges these beliefs and the largely uncontested value of growth. As demonstrated by models of natural capitalism, the trick will be to see sustainability not as a cost or constraint, but as an ingredient and opportunity. OD practitioners in the future will become well versed in helping organization members see this possibility and fostering innovation that honors the ecology.

SUMMARY

In this concluding chapter, we described three trends within OD and four trends driving change in OD's context. OD's future is likely to be the result of the interactions among the traditional, pragmatic, and scholarly trends as well as how the global economy evolves, technology develops, workforces engage, and organizations structure

themselves. To be relevant, OD practitioners and the field as a whole must act together to influence the future they prefer or adjust to the upcoming future. Moving OD toward rigor and relevance requires more than simple extensions of existing theory and practice. OD's ability to contribute to an organization's success, to shape globalization, or unite the trends within OD will depend on its ability to generate new and more powerful interventions that draw on new models and integrated values in pursuit of responsible progress. Our hope is that this text will be able to inform and equip the reader with the skills, knowledge, and value awareness necessary to shape the future.

NOTES

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integrative cases

B. R. Richardson Timber Products Corporation

Jack Lawler returned to his desk with a fresh cup of coffee. In front of him was a file of his notes from his two visits to the B. R. Richardson Timber Products Corporation. As Lawler took a sip of coffee and opened the file, he was acutely aware that he had two tasks. In a week, he was to meet with the company president, B. R. Richardson, and the industrial relations officer, Richard Bowman, to make a presentation on his findings with regard to the lamination plant and his recommendations for what might be done. Lawler knew he had a lot of preparation to do, starting with a diagnosis of the situation. It wouldn't be easy. Taking another sip from his mug, he leaned back in his chair and recalled how this project had begun.

MAKING A PROPOSAL

It was about 2:30 P.M. when the office intercom buzzed. Lawler's secretary said there was a Richard Bowman calling from Papoose, Oregon. Lawler knew that Papoose was a small community about a hundred and fifty miles south, a town with three or four lumber mills lying in the mountain range of western Oregon. When Lawler picked up his telephone, Bowman introduced himself as being in charge of industrial relations for the B. R. Richardson Timber Products Corporation. He was calling because a friend of his in a regional association for training and development persons had recommended Lawler, and Bowman had heard of Lawler's management training and consulting reputation. Bowman said he was searching for someone to conduct a "motivation course" for the blue-collar employees of the lamination plant. Morale in the plant was very low, there had been a fatality in the plant a few months before, and the plant manager was "a bit authoritative." Given the gravity of the plant situation, Bowman wanted to conduct the course within the next few months.

Lawler asked if the plant manager was supportive of the course idea. Bowman replied that he hadn't asked him but had gotten approval from B. R. Richardson, the founder and president of the firm. Lawler then stated that he really didn't have enough information on which to design such a course nor enough information to determine whether such a course was appropriate. He suggested a meeting with Bowman and Richardson the next week; he would be able to stop by Papoose in the late afternoon on his way home from another engagement. Bowman immediately accepted his proposal and gave Lawler directions.

Taking another sip of coffee, Jack Lawler continued to reminisce, visualizing the road winding past two very large lumber and plywood plants and over a small hill, and recalling his first sight of the B. R. Richardson Timber Products Corporation. It was much smaller than its neighbors, consisting of a one-story office building, a mediumsize lumber mill, open storage yards, an oblong, hangarlike structure, dirt connecting roads, lumber and log piles seemingly scattered around, and cars and pickup trucks parked at random. The office building entryway was paneled with photographs showing the company buildings as they had changed over many years.

Bowman greeted Lawler, led him to a carpeted and paneled conference room, and introduced him to Ben Richardson. "BR" was a man in his late fifties, dressed in western apparel. The subsequent conversation was one in which the company as a whole was outlined and information was presented about the plant workers. Lawler described his preferred ways of working (essentially, diagnosis before training or other action). BR and Bowman shared their concerns that the plant manager, Joe Bamford, was getting

out the work but wasn't sensitive to the workers. Bowman then took Lawler on a tour of the lamination plant. The meeting ended cordially, with Lawler promising to write a letter in a few days in which he would outline his thoughts on going forward.

Jack Lawler opened the file in front of him on his desk and smiled as he found the copy of the letter he had sent:

Mr. Richard Bowman
B. R. Richardson Timber Corporation
P.O. Box 66
Papoose, Oregon

Dear Mr. Bowman:

When I departed from your office about a week ago, I promised a letter outlining my thoughts on some next steps regarding the laminating plant. Let me sketch some alternatives:

1. One is for me to put you in touch with someone in your immediate region who could design and/or present the "motivation" course for the laminating workers that you originally had in mind.
2. Second is for me to be engaged as a consultant. Recall the experience I described with the plywood plant in northern California in which I facilitated an approach called "action research." You'll remember that it basically involved a process wherein the concerned parties were helped to identify noncontrolled problems and plan to overcome them. This would begin with a diagnosis conducted by myself.
3. Third, you'll also recall that I teach part-time at State University. This relationship leads to two ways graduate students might become involved:

   I believe I could get a colleague in personnel management training to create a student team to design and conduct the motivation course.

   I can have a student team in my change seminar do a diagnosis of the laminating plant and provide you with their analyses and recommendations.

I believe I was clear during my visit that I think a diagnosis is needed first, regardless of next steps. When you and Mr. Richardson have thought about these alternatives, give me a call. I'll be prepared to outline what I see as the costs of alternatives 2 and 3.

Thanks for the opportunity to visit. I enjoyed meeting you and beginning to learn about your company.

Sincerely,

Jack Lawler
Partner
Oregon Consulting Associates

VISITING THE PLANT

Lawler remembered that six weeks went by before Bowman called. He had shown Lawler's letter to B. R. Richardson, and they agreed that a more adequate diagnosis was probably a useful first step. Bowman was quite clear that Richardson did not want to invest much money but also wanted Lawler's expertise. In the ensuing conversation, Bowman and Lawler worked out an initial plan in which he would utilize several of his graduate students in a one-day visit to the company to gather information. Lawler would then analyze it and make a presentation to BR and Bowman. The use of the graduate students would substantially reduce his time as well as provide the students with some useful experience. They agreed that he would bill for three days of his time plus the expenses incurred when he and the students visited.

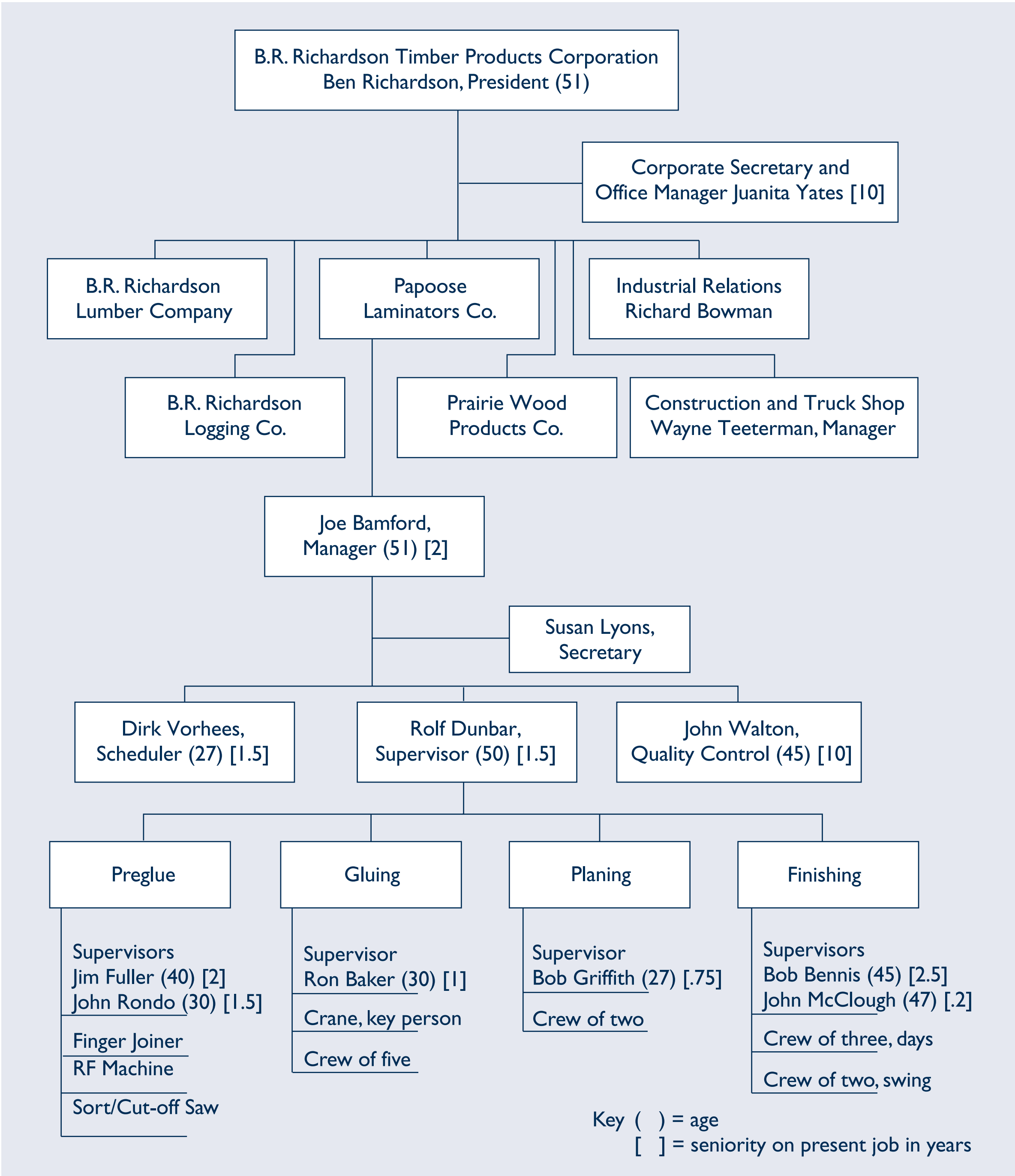
The next week when Lawler went to campus to teach his evening seminar called "The Management of Change" at the Graduate School of Business, he shared with the class the opportunity for some relevant fieldwork experience. He and four students could do the observing and interviewing in one day by leaving very early in the morning to drive to Papoose and arriving home by midevening. The information gained would be the focus of a subsequent class in which all seminar participants performed the diagnosis. When he asked his seminar who was interested in the information-gathering day, six students volunteered. When particular dates for the trip to Papoose were discussed, however, most of the six had conflicting schedules. Only Mitch and Mike, two second-year MBA students, were available on one of the days that Lawler's schedule permitted.

Having constituted the field team, Lawler suggested that the seminar invest some time that evening in two ways. He wanted to share with the class some information he had gained on his first visit to B. R. Richardson Timber and

suggested that the class could help prepare Mitch and Mike for the experience in the field. He then drew an organization chart on the blackboard that showed the various segments of the corporation and the lamination business, including the personnel and main work groups. He further drew a layout of the laminating plant on the board. Exhibits 1 and 2 show these

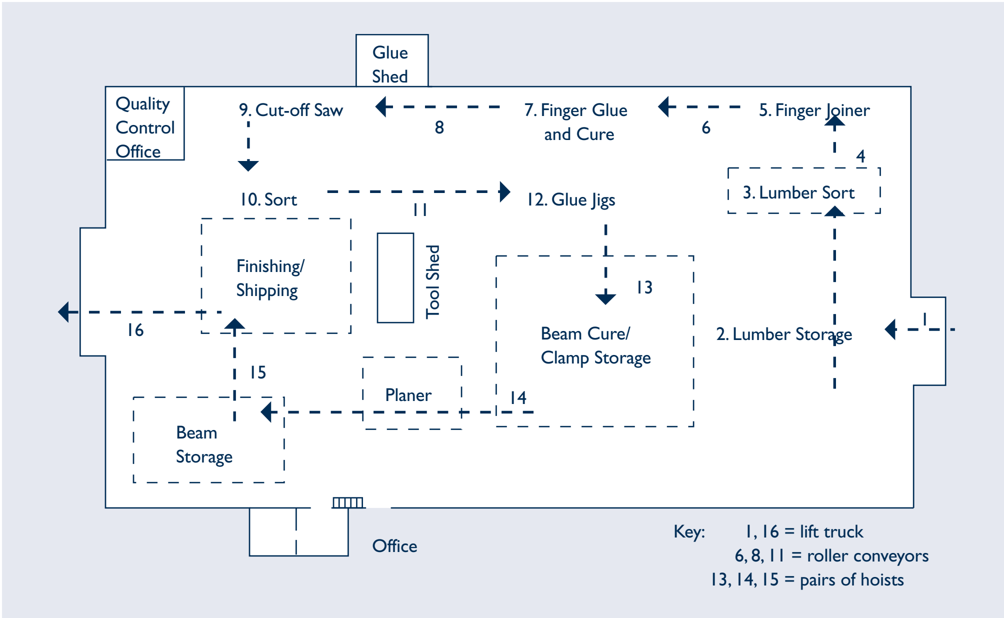
[Exhibit 1]

Organizational Chart



[Exhibit 2]

Laminating Plant



sketches. While doing this, Lawler spoke of his understanding of the technology, work flow, and product of the laminating plant as follows:

> It's a family-held corporation. It's composed of four small companies, divisions really, three in Papoose—a logging operation, a lumber mill, and the laminating plant—and a mill over in eastern Oregon. The head office, the mill, and the lam plant are on the edge of Papoose, which is a very small logging town about six or seven miles from the interstate highway. The lam plant looks like a long airplane hangar, the type with a curved roof. Rich Bowman took me on a tour, safety helmet on, and explained the activities as we went along.
>
> Now, the end products are long, laminated wood roof trusses or beams like you sometimes see in supermarkets and arenas. These are built up out of many layers of two-by-fours, two-by-sixes, and two-by-eights glued together end to end and then side to side. So in one end of the plant come lift trucks of lumber, which is stacked up to a height of twelve to fifteen feet. According to orders—and all beams are made to customer order—the lumber is sorted and then hand-placed on a machine that cuts deep notches in the ends of the lumber. These go along one wall of the plant where the notched ends, called fingers, are glued together to make really long pieces.
>
> These then go on along the roller conveyor, to the other end of the plant almost, where they are cut to the correct length, and sets of these long pieces are grouped together—the right number of the right length to make up a beam. This set then goes to a work station where there is a metal jig. The pieces are put in the jig one at a time, the glue is applied, and they are tapped down by hand. When the beam is fully assembled, clamps are put on every little way. This rough, clamped beam, running anywhere from twenty to, say, seventy-eight feet in length and from one to three-plus feet high, obviously very, very heavy, is marked, then picked out of the jig by two small hoists and stacked up to cure (dry). The curing piles have cross sticks and must be fifteen to eighteen feet high in some places.
>
> These beams cure and eventually are picked out of the stack with the hoists and maneuvered so that they are fed into the planer, which is set to plane the rough beam to exact thickness dimensions. After planing, the beam is stored until the finishing crew gets to it. This crew cuts the beam to length, patches minor surface blemishes, and wraps plastic around it for shipping. These beams then sometimes go

> directly onto a truck for shipment or into the yard until a load is ready.
>
> The plant is noisy from saws, conveyors and hoists, and especially the planer. There are glue drippings, sawdust, and ends everywhere. The aisles tend to disappear in tools and piles. Above the plant offices of the manager, supervisor, and secretary is a lunchroom and another office for the scheduler. The company's head office is about fifty yards away in one direction and the mill about the same distance in another. The yard is graveled, with lumber of all kinds piled up and cars parked around the edges.

The class was encouraged to visualize the laminating plant and its working conditions. Lawler then divided the class into two groups around Mike and Mitch for the task of preparing for their visit to B. R. Richardson Timber. It was important to clarify what information might be usefully sought and how informal interviewing on the work floor might be accomplished.

On the next Wednesday, the trio drove to Papoose, stopping for breakfast along the way. When they arrived at the Richardson head office, they were met by Richard Bowman. Lawler initially interviewed Juanita Yates while Bowman took Mike and Mitch to the lamination plant and introduced them to Joe Bamford, the manager. At lunch time, Lawler and his students drove into Papoose and ate at a cafe. They summarized what they had learned in the morning. Each of them had been jotting some notes, and Lawler encouraged even more. He reminded Mike and Mitch that they would dictate their information during the drive home but that notes were needed as cues. At 4:30 P.M., the three met at Bowman's office, turned in their safety helmets, thanked him, and left. The first hour of the drive was filled with the sharing of anecdotes from each other's day. After a dinner stop, they took turns in the back seat dictating their notes.

REVIEWING THE NOTES

Jack Lawler's reverie was broken by the office intercom. His secretary announced a long-distance telephone call from a potential client. After the call, Jack turned his attention to the Richardson file. He realized that his forthcoming meeting with Ben Richardson and Richard Bowman would take place before his graduate seminar met to diagnose the laminating plant situation, and so he had best get to work himself. He decided to review the notes he and his students had created.

Jack's Notes

Current Lam schedule: Breakout crew 2:00 A.M. to 12:00 noon. Finish end 3:30 A.M. on. Joe typically works 7:00 A.M. to 6:00 P.M.

Ben Richardson (Juanita): "In the beginning he was very authoritarian, still is somewhat. Seen as a perfectionist." "Not quite a workaholic." "Has been, for several years, politically active—that is to say, locally." "When there is a cause, he throws his energies and resources behind it." Example, workers' compensation is currently a thorn in his side, and he has encouraged Rich to fight. "In the last few years, Ben has listened a little more and seems slightly more open." The last couple of years has had consultant Chuck Byron from Eugene, who has pushed the idea of a management team. Rich is the first real outsider hired as a professional. Ben has a "conservative philosophy." Will not have safety meetings on company time. Appreciates and rewards loyalty and dedication. Example, December 1978 Christmas party—a couple of twenty-year men were given $1,000 checks and plane tickets to Hawaii for themselves and families—it surprised everybody.

Who's influential (Rich): Juanita Yates, office manager and secretary, has been with Ben ten years. When Ben is away, he calls her once or twice a day. Second-most influential is Wayne Teeterman, also ten years with Richardson. Heads construction and truck shop. Formerly ran the sawmill. Ben's ear to the mill. Rich is a distant third in influence. Mostly via Nita. "Ben sees Joe, manager of lam plant, as an enigma—almost canned him a couple of times." However, Joe is seen as dedicated, mostly because of the long hours put in.

Overall business pretty good (Rich): "Ben keeps thinking the other shoe will drop one of these days." "Ben used to be able to predict the lumber market. This is getting more difficult." Right now the economy is stable enough regarding lumber and lumber products. Richardson mill sales of clear-cut high grade are pretty much cutting to order. Laminating plant growing ever since it was started. It's very profitable, busy,

and active—probably has the largest margin of all Richardson companies.

Laminating plant (Rich): Laminating plant has six- to seven-week delivery dates now.

Timber purchases (Rich): Timber purchases from Forest Service and BLM. One to two year's cutting is now available. Last year needed to cut only half of year's sales because of fortunate other purchases. Last year, half of timber requirements were from private ground. "Costs of cutting, however, go up, and it makes Ben nervous."

Laminating plant lumber (Rich): "Approximately 70% of laminating plant lumber purchased outside—30% from Richardson mill." This material is in the middle of the quality range. Outside purchases are primarily from Oregon companies—Weyerhaeuser, Bohemia, Georgia-Pacific, and smaller ones. Joe does the purchasing for lam plant. "He likes to do this."

Recent changes (Juanita): "Turnover has consistently been high and continues. For the company as a whole it is around 72 to 76%. In the lam plant there was 100% turnover last year" (among operators). "Right now this year it is down 50%."

Rolf (Juanita): Rolf was formerly industrial relations manager. A year ago April, he was appointed supervisor in the lam plant. Rolf's predecessor in lam plant ineffectual; gone from company. Rolf did not do a good job with personnel. Fatality in lam plant happened two months before Rolf went down there. It was in the breakdown area—several people quit at that time. There has been a constant concern for the height of stacking in the lam plant. "Joe has had a positive impact on morale—started a softball team in a community league."

Reward system (Juanita): "Nine paid holidays, hourly wage, liberal vacation plan, life insurance, no pension, no bonus except for those people who report directly to Ben (Nita, Wayne, Joe, and Rich). Joe has not had a bonus yet."

Incentives for safety: Joe and Rolf have introduced incentives for safety. Competition for groups about lost time. Joe gave a fishing outfit last month for the first time that a safety target was met.

Hiring (Rich): Hiring was traditionally done by division managers. At present, Rich has taken over that. He now goes into background more deeply.

Interaction with middle management (Rich): Normally when Ben is in Papoose, he and Joe interact a couple times a week, which is about the same as Ben interacts with other division or company managers.

Ben's style (Juanita): "He focuses on a problem. He will write a list and go over it with the manager item by item. Pretty much forcing his way. Later, he will pull out that list to check up with." He often wants Rich to play intermediary between top management and the lam plant. Rich tries to resist.

Rolf (Rich): "Fairly introverted, basically a nice guy. He finds it hard to be tough. Doesn't think he could do Joe's job." His folks were missionaries.

Dirk (Rich): "His goal is to get into sales. Ben has given okay, and he is supposed to look into local sales. Joe has agreed but has not given Dirk time to do any of this. Dirk probably has no long-run commitment to the company." He has a degree in forestry.

John Walton (Juanita): In charge of quality control. "Very loyal to the company. Very dedicated to quality. Member of national organization. Never gets very distressed. Seems well liked by crews. Not afraid to pitch in when they are a man short or behind."

Jim Fuller (Rich): "Ben doesn't like him." Had EMT training recently sponsored by the companies. Ben questions Jim's commitment. Jim gets into lots of community activities, has been a disc jockey on Sunday mornings, and is very active in community organizations with youth. "Not perceived as a real strong leadership type, but knowledgeable and pretty well liked in the lam plant."

John Rondo (Rich): "Dedicated, works hard. Pushes the men, too. Ben sees him as having future management promise." From an old logging family in the area. "Much more leadership oriented."

Ron Baker (Rich): Gluing supervisor. "Businesslike, could be sour. Likes to impress others."

John McClough (Rich): "Failing as a finishing supervisor. Originally from California. Worked in Roseburg area as carpenter; does excellent work by himself. He is a flop and probably won't last much longer."

Bob Bennis (Rich): Finishing supervisor. "Not really a pusher." "Time has made him knowledgeable

about the work." "Willing to be directed." He has had a number of family conflicts and has been in financial trouble. "Overall, a nice guy."

Bob Griffith (Rich): Planer. Came to Richardson out of the service. Started in gluing, then in breakdown, then gluing. Finally, planer's job opened up, and he took it. "Still learning the job. Generally a good worker; some question about his leadership."

Supervisors summary (Rich): "In general, the supervisors all kind of plod along."

Jim Fuller (Juanita): Is lam plant safety committee representative.

General reputation in community (Rich): "Not good from employees' point of view. Matter of turnover, accidents, and the fatality. Seems to be turning around somewhat over the last year. The company, as a whole economically, has a successful image. It's made money, survived downturns, and so forth."

Summer: During summer, fill-ins are hired for vacationers—sometimes college or high school students. The supervisor spots are filled in by key men on the crew.

Communication: Bulletin board outside of lam office has safety information, vacation schedule, and production information. Blackboard in lunchroom has jokes, congratulations, etc.

Reports: Daily production is scheduled by Dirk. Daily report from lam plant to office is compared against that. Production and lam's information reported daily. Joe keeps records on productivity by lam plant area. This duplicates Susan's records. Quality control turns in three sheets a day: on finger-joint testing, glue spread and temperature, and finished-product tests. Also Walton keeps cumulative information on block shear (where a core is drilled and stressed) and delamination tests made (where product is soaked and then stressed).

Records: A few years ago, 18,000 board feet was the high for preglue. May 9, daily was 16,406 board feet. Swing shift is consistently higher than the day shift preglue. Gluing, Ben expects 30,000 feet. On May 9, it was 27,815 feet.

Overtime (Juanita): "Is approximately 6% over the year. Right now lam plant is higher than that."

April (Juanita): Bids for the month were $8,166,000. Orders received for the month were $648,600. Shipped in April: $324,400. When $400,000 is shipped, that is an excellent month, according to Nita. Joe does all the bidding. Sue actually may do the calls, however. "The margin is significantly higher than the sawmill or planing mill."

History of lam plant (Juanita): "In 1968 Wayne Lauder started it. He had lots of prior experience." "The property that Richardson stands on had just been purchased. Wayne came to Joe with a proposition. Ended up with Wayne having stock in the Papoose Laminators Company." Original crew was eight to ten men. "In fact Wayne taught Ben all Ben knows about the laminating plant." "Got into lamination business at a very good time." "In the early days, there were no accidents and no turnover." "Wayne had hired old friends, largely married family types." "Walton is the only one left from those days." In the spring of 1973, Wayne went to South Africa on a missionary call. Between then and Joe, there have been four managers and four or five supervisors. Ben has an image of Wayne that successive managers cannot live up to. Joe, in Ben's eyes, has done better than anyone since Wayne. The supervisor's job was started under Wayne; since then it is not clear what they do. At one time, there was an experiment to move the lam office up to the main office so that the supervisor was forced to see the manager up there. This did not work. With Joe, the office moved back to the plant.

Sue (Juanita): Secretary in lam plant. Now hand-extending the data. Could use a computer. It is programmed; she has computer skills. "Computer never used for lam bidding since Sue came two years ago." Phone coverage is awkward. To get copies of things means Sue has to come to the office.

Market conditions: Market conditions have been good since Joe became manager.

Joe's ability (Juanita): Highly questioned around planning. Example: "Sue away; he knew it beforehand; it was a day he wanted to be away. This left the head office trying to get someone to cover for the phone." "Clearly sales is Joe's strong area. Get excellent reports back from customers. But Joe doesn't follow up, so payables are very weak. We still haven't got a ninety-day payment and are likely to ship the next load to the customer anyway."

Lack of communication (Juanita): "Lack of communication with us about cash flow is another weak spot of Joe's. Lack of supervision over key people like Sue and Rolf. Seems to just let them go. Certainly doesn't supervise them. Sue gets to set her own hours." Example offered by Nita of misbidding because Sue didn't get the bid back to the customer. "Joe just wasn't aware of the timing—hadn't planned for it." Another example: "Sue runs out of invoice paper, which means we have to scurry around."

Sue's wages (Juanita): "At one time, Sue was all riled up about wages and upset the secretaries in the main office. She got no pay increase last year. Ben upset. Joe went to bat for her. Joe almost put his job on the line for her."

Sue's performance (Juanita): "Sue does sloppy work. Not very efficient. Poor letters; late; missing deadlines. Joe allows or accepts, or perhaps doesn't know." Nita is supposed to be responsible for Sue on quality matters. In general, to make sure that her backup is there. "Sue now works ten to fifteen hours a week overtime." Nita cannot see the reason for this.

Rolf's attitude (Rich/Juanita): Rolf's attitude changing. Seems more cooperative to both Rich and Nita. Nita thinks Rolf is a very intelligent man. Neither are clear exactly on what Rolf does. Company policy is to send out invoices each workday and that invoices should be sent and dated on the day shipped. Sue doesn't send them.

After Wayne, a lot of lam workers were hippies, had long hair, etc. Part of that is the reason why Rich now hires. Why is Ben down on Jim Fuller? Nita says because of time lost with accidents. "Ben knows his family and all about the radio station. Doesn't think he is committed to the lumber company. There have been financial problems, too. There were garnishments in the past. He's quit or been laid off, or was fired about three years ago. Some things stick in Ben's throat. Now Jim is out of debt; they sold the home and moved; his wife works; they do an awful lot of volunteer work at the school. Ben sees this and wonders why he can't give that energy to the company."

John Rondo (Juanita): From a local logging family. He is a nephew of Butch (someone from a logging company). "Notorious redneck." Once called Ben from a bar when he was drunk and swore to Ben about his paycheck. "Ben doesn't forget those things."

Sue hired by Joe: Does all the paperwork in the lam plant. Doesn't really have to interact with any of the men except Joe. Takes care of the purchase orders, invoices, and daily records.

Glue used in lam plant: Twenty-two thousand pounds at 60 cents per pound; that's nearly $10,000 a month.

Maintenance man: Leon replacing rails and turning chair at preglue. "Had help until noon. Don't know where they took off to." It's really a two-person job. Also said that they're probably six to eight months overdue with this job.

Hoists: Planer and helper talking at break that it is awkward and sometimes have to wait either on the finish end or breakdown side of planing because of competition for hoists. Believe the roof could hold more hoists. Can't understand why Ben won't spring for a couple of more hoists on each side. In the lunchroom, the planer was coaching a breakdown/finish helper on how to undo clamps efficiently. Says that the "whole operation has to be speeded up." 1:05 P.M.—lunchroom. The planer approaches Joe: "Can we get off a little early? We've been working lots of ten-hour days." Joe responds, "If you get that 57 job done, maybe we'll see." As Joe turns to leave, the other finish man, who helps the planer, says, "Hey, Joe, I want to talk to you later." Joe says, "Okay." The man turns to me and says, "He thinks we should be working harder. I want to tell him what's what."

Rolf put in lam plant by Ben: Probably consulted with Joe, but still he did it.

Goals for lam plant (Rich): Joe and Ben both have some goals in their heads, of course, and talk on occasion. "Probably not very systematically written down."

Jim Fuller, preglue supervisor: Swing shift now. Three men work directly under him. First work position is a lumber grading cut-off saw. A nineteen- to twenty-year-old tends to work here. "You need a big reach." Then there is a cut-off saw that feeds a finger-joiner cut. Then the ends are glued. "Young men tend to be in this position, too. Need to have a lot of manual dexterity and a sense of rhythm." Then there is the radio frequency curing machine. It gives an eight- to ten-second jolt at 109; then the hardest job

comes along. The lumber is stopped, set to length, and cut three inches longer than order and then put in stacks on rollers. "You need to visually check ahead, grade lumber, and everything else." This position has to be communicated back up to preglue line for amount.

Production scheduling (Rich/Jim): "Rolf is so-called production supervisor. However, if Joe has his druthers, he'd do that, too." Supposed to have orders from Joe to Dirk to Jim. Needs to be scheduling. This mostly happens, but sometimes he gets a message from Joe himself. Actually Jim says, "Both Rolf and Joe more or less equally give me orders." Jim confirms that the majority of materials come from external sources and suppliers. He thinks Joe is a "sharp bargainer." "If he can save $100 per thousand on eight- or ten-footers, he may buy them. Of course, this means they have to do a lot more cutting and gluing." Somehow it's known that thirty thousand feet a day per shift is what the lam plant is to produce. It takes two preglue shifts to get that. A few years ago, Jim reports, a production quota for the plant was eighteen to twenty thousand feet per day. "Joe is really production-minded, a real pusher."

Asking about problems (Jim): He quickly responds with "confusion" and elaborates that it has to do with scheduling. "Sometimes Dirk has to work on the line and get inaccurate figures, or we don't get them in time." Nonetheless, he thinks Dirk is a good man and tries hard. Another problem has to do with stacking. There is not enough room to handle items where beams are curing, particularly in the finishing area. He makes a big point about the difference between architectural and other grades. There are 15% of the former in general, but it takes more layout space in the finish end to handle it.

The most inexperienced crew, in Jim's opinion, is in the breakdown area (unclamping beams for planing). There seems to be a bottleneck around the planer. "The crew tries hard but is somewhat inexperienced. His helpers couldn't care a damn." Planing is to a tolerance of plus or minus 1/16-inch. He gives an example of large beams for Los Angeles that were overplaned, and those beams now sit in the yard until they can be worked into some later order for someone.

Another problem, according to Fuller, has to do with Paul, an electrician who works under Wayne. Has strong sawmill preference. Can never find him. For example, the RF machine is only half rebuilt. "People who do this work for Wayne will probably never get it done."

Age of workers (Jim): Mostly young—"means that they don't really care about working, aren't very responsible. They take off when they feel like it; hence, there is a lot of personnel being shuffled around. Both Walton and Dirk, and even Joe, pitch in sometimes, not that this makes it really more efficient." "Personnel is shuffled too much." Fuller gives an example. He was hit by a beam and was off for seven weeks. Jay replaced him. There was stacking in the breakdown area on the main two. Jay tried to move a ceiling air hose; it came back; two top beams fell and "snuffed him out just like that." Maintenance men have to fill in on lines, too. This cuts into maintenance being done on time. The whole program is behind. It's sort of down to what Fuller calls "band-aid work." Also, major replacements are done poorly. Example: glue area where pipes come right down in the middle of the preglue line when they should have been run down the wall. Bruce did this.

Ben's approach (Jim): "Ben used to visit the laminating plant twice a week a few years ago. I haven't seen Ben through here for more than a month now. Ben likes to use a big-stick approach." He gives example of Ben looking at maintenance work in gluing shop and insisting that the millwright come in on Saturday to get it done, "or else."

Those who report to Ben: Rich, industrial relations; Wayne, construction; Juanita, who is secretary and office manager; and managers of three companies. Richardson Lumber, which has 110 employees, was founded in 1951. Papoose Laminators started in 1968, and Prairie Wood Products started in about 1976, with forty-five employees. There is a logging company, too, which is for buying.

Mitch's Notes

Jack, Mike, and I arrive at B. R. Richardson. We enter through the main building into the office and are seated in a conference room located at the back of the main office, which is located up on a hill overlooking the rest of the plant.

Rich enters; after formal introductions, proceeds to talk about Joe, or I should say, describes Joe.

Describes Joe in the following way. Says that Joe is aware the training program was a possibility. Stated that Joe had had military experience, that he (Joe) believes he knows about management, that there are some possible resentful feelings toward our intrusion upon the plant, that he is aware of us and the fact that we are from State University.

Rich, Mike, and I leave the main office and go down to the plant to be introduced to Joe.

Rich introduces us to Joe by saying that we are with Jack and that we are down looking around at the plant, etc.—seemed awkward. Communication not straightforward. Not a lot of eye-to-eye contact. Rich is leaning up against the wall; he looks uncomfortable and leaves rather abruptly.

Joe immediately questions us as to what we are doing, why we are here, and what we are looking for. My perception is that he is resentful. In talking to Joe, I perceive that he felt the workers were good, that with the proper knowledge of the task they could lead themselves. He also stated they were "multicapacity"—that "they had many functions which they performed," and that it wasn't that specialized down on the floor. He mentioned that his functions were bidding, managing, and engineering. He made a comment toward work team functions ("work team crap"), and then he corrected himself. He also remarked that "theories come and theories go."

At one point, Joe stressed the use of communication as a tool in management. He showed Mike and me a little exercise and seemed to be impressed with it.

In looking on the walls of his office, he had approximately five awards or merits for leadership or worker participation.

His assistant Rolf had a desk right next to his, which was in an office off the side of the secretarial room serving as the entrance to his building.

Joe's background included working in many plants, primarily in forestry—that is my understanding. He said he preferred working at B. R. Richardson's mainly because it was a "small and nonpolitical plant." He likes leadership, and he enjoys working there. He stated, as we were walking through the plant, that he felt a high degree of frustration about the plant because the size was too small at times and the seasonal rush (which is beginning right now as of May) for summer building puts a crunch on things. He stated that production is up 10% from last year; that there have been scheduling problems—they received some wood in February, and it wasn't until May that they could use it and laminate it and get it out the other side, so it's been stacked taking up space. He stated that if they fall behind, they have no chance to catch up and that they are working at full capacity right now.

Later on that afternoon, I went back and talked to Joe. I asked him what his specific duties were. He replied in the following way: His duties were to take orders, to plan the shipping, to make bids on orders, and to manage the plant. His typical day was to arrive about 7:00 to 7:15 A.M., to look over the plant, to look at the new orders of the day, and to take care of any emergencies. Lately, he stated that he was making engineering drawings. When asked if this was common, he said it usually was done by the customers, but he felt it was a service he could render them. He stated, "It's foolishness because it takes too much time." However, he continued to work on that project. He stated that he liked the work, that he didn't mind long hours. When asked about the scheduling, he said that after he makes a bid and fills the order, it goes to Dirk, who schedules the work to be done, which goes to Ron, who is either in preglue or the gluing operation. I'm not sure, but I felt he was talking about the gluing operation. And he stated that Ron's job was very specific, that he had to coordinate the people to get the wood clamped up, to get the glue on, and to get it organized in a rather specified manner. (I think it is interesting to check Ron's description that I include later on.)

My personal comment on Joe is that he seemed very friendly with the workers, that it was a buddy-buddy relationship. At one time, we were in the lunchroom with Joe, and he was talking openly about the problems of the shop; it was kind of like "we all suffer through this too, don't we?" He seemed to enjoy his work, he likes to work hard, he was proud of the fact that production was up, he was supportive of the men down there, and he was also apprehensive of Mike's and my presence. I think it is interesting

to note the roles that Mike and I took. Mike took the role of a person interested in design, more or less, and I took the role, as I stated to Joe, that I was interested in seeing what it was like to be a manager in this situation and to learn any knowledge he might have to offer. Many times during our encounter, he asked me what my background was and also about what I wanted to do when I got through school. He seemed very interested in my studies and my goals.

Joe's secretary, while I did not talk to her, seemed to play an important role in the organization. At one point, I was talking to Joe when the secretary answered the phone and interrupted our conversation to tell Joe about a possible bid. Joe then made the bid based on the board footage, and the secretary questioned him on this bid, at which point Joe thought a minute and said, "Yeah, I want to keep the bid the way it is." The secretary then asked him, "Are you sure?" and Joe said, "Yes," at which point the secretary completed the preliminary parts of the bid over the phone.

At one point when we were walking through the plant with Joe, I made mental notes on safety aspects of the plant—this was something in question. Some of the things I noted are as follows.

There seemed to be many metal spacers or clamps by the glue section. This section wasn't in use, so I don't know if this was normal or not. It was very crowded and difficult to walk around. As we walked through the plant, I saw at least two different types of band saws with no guarding whatsoever—a very dangerous situation in my opinion. There were no safety signs around the plant—at least not outside the lunchroom. One worker did not have a safety helmet on. I also noticed that the safety helmets that they gave us were of very low quality. I base this on past experience in wearing them; they were the cheapest I have seen. I did see a safety insignia on one gentleman's lunch box. (I wonder how they meet OSHA standards.) Also because of the crowdedness of the facility, it was very difficult to move around, and with things going on, I could see how it would be difficult not to get hurt. The workers at one point asked Joe about another worker (I think his name was Bob). It seems that Bob was going down the highway and was reaching for a speaker wire and hit the center rail on Highway I-5 and totaled his truck. He seemed to be okay with a mild concussion. The workers were very concerned. A group of about three of them asked Joe how Bob was doing.

I had a chance to talk to Ron, the team leader in gluing. His comment about his job was that there were long hours, that these were typically ten or more per day, and that he received overtime for the long hours provided that in total they were over forty hours per week. Each hour over the forty minimum would be paid at 1.5 times the normal rate. For Ron, the normal rate was about $8 an hour, $12 an hour overtime. His comments about his job and his attitude toward the plant were "sweatshop," "Richardson won't spend money," and "everyone's worked at BR's at one time or another before." "They have plans for expansion of the plant, but they don't want to spend the money on it." At one point, he said he didn't really know what he was doing in terms of how to be a supervisor, how to be a leader. When I questioned him some more, he really didn't know what the supervisor did, in this case Rolf. He had just finished his first year, as far as experience on the job.

Ron had a major complaint about his job in that the glue person also had to prepare the glue and was responsible for getting all the boards and clamps in the right direction. He seemed to think maybe an extra glue prepare person would help. It seems to be a major job for him. There seemed to be quite a bit of dissatisfaction about Rolf in his mind. He stated that when overtime or a certain amount of board footage was needed to meet a quota, this created work unrest, which led to accidents. He said that Rolf was always the one who initiated or told the workers that they had to work overtime. When asked about the death that had occurred, he stated that everybody was pretty upset about it, that it was bound to happen. I asked him what happened that day. He said that a guy got hurt, and yet management still wanted them to work even after the guy died. This seemed to upset Ron.

Ron mentioned that they (the workers) had a softball team; that he felt frustrated about it because he couldn't always play because the games were at six or seven o'clock and many times they were working until late in the

evening trying to make a quota. He also stated that accidents were very high around here, that it was not uncommon to get a finger smashed or something, and that management didn't seem to care too much. He stated that he liked Joe, the manager, that he was okay but that he was maybe more production-oriented than necessary. He stated that the work is very hard and the need for better methods is evident. He stated that most men had bad backs, hernias, and broken fingers or toes, and he seemed to be kind of embarrassed. He did state that they had medical insurance.

Ron stated that one of the biggest causes of unrest, he felt, was due to overtime, and his own personal frustration was that in a year he had obtained probably the highest vertical level on the management structure, that of supervisor. He stated that the next job would probably be to take Joe's job. He said that wouldn't happen, so there seems to be a lack of job mobility in his eyes. He stated that workers do almost anything, any task at any time; that what needs to be done, needs to be done, and they do it. He also stated that in the summertime, when it is warmer, the metal building that they work in gets really hot, and it's not uncommon for men to lose five or more pounds in one shift, which would be in an eight-hour period. When asked if it was possible to ventilate the building a little bit more, he said it would be hard, that even if they could, management wouldn't spend the money to do it.

Ron said he didn't have enough time for his home life. He also stated that Rolf and Joe, who were the supervisor and manager, would come out and help when they had the time. He said they would actually end up losing a half-hour of production time that way and would be better off if they would just stay in their offices. Ron seemed to express a great amount of displeasure with Rolf, and he said most of the workers agreed that Rolf was a "thorn." When Rolf would give orders, men would get upset and throw things around, and this would cause accidents. When asked about new members, he said they don't last more than a couple of days, and very rarely do they last over a year. Ron stated that one of the jobs they gave new workers was to bang beams in the gluing job with a weight that was on a pole that is picked up and bounced up and down off the wood. It weighed anywhere from forty-five to one hundred pounds; very grueling work. He laughed a little bit and said that they usually hurt their back the first day, and it takes them a couple of weeks to learn how to do it, to learn the right technique, but he said "there is no other way to learn the job, other than just jumping up there and doing it."

My own personal opinion of Ron was that while somewhat upset at the conditions down there, he was dedicated, he did enjoy his role as a leader, and he was looked up to by the fellow workers. He mentioned at one time that the record of total board footage was broken by his crew, and he seemed very proud of that fact. He did not seem to think that any of our suggestions would make any waves around there, that "I would not be listened to." He was enjoyable to talk to, and he was more than willing to help me obtain the information I needed.

Marty, who like Ron has been there for over a year, was "key person" of the glue team. However, Ron acted as the leader. They seemed to be good friends and went home together that afternoon. Marty had been there the longest. He had stated that the work is hard, that there are long hours, and that he had been right next to the man who was killed. He stated that he was no more than three to six feet from his friend (I guess he was his friend) when it happened. He was the one to fill out the accident report for the police and insurance people. He stated that they wanted to stop work and that the plant, and he didn't say specifically who, didn't want to shut down but wanted to complete the work that was started. It seemed that most of the workers there did not want to work that day. That was the extent of my talking to Marty.

When the workers were leaving, it seems they had set up a bet for a keg of beer if the planer Griffith could plane all the beams that were set out in front of him, which from the comments of the men, was quite a chore. But Griffith seemed pretty confident that he could get the work out. He did say that he was looking to go to pharmacy school as soon as he got his hernia fixed, and when asked about the hernia, he said he got it some time ago. He said he got it working while picking up some stuff in the plant. Again, this seemed to be common.

I had a chance to talk to a couple of the preglue persons; there is a total of three. I believe Jack had talked to the leader, and I talked to the two workers. They pretty much agreed that a union would be nice; however, BR, the owner, would not allow one to come in. He said, "Work long hours, or you get fired." There seemed to be a lot of stress as far as meeting their quota, and they could not go home until they met the quota for the day. They stated that the job was okay, but that they didn't have much time for their families. One said, "I go home, I sleep, I get up, I go to work, and I go back home and go to sleep again." When asked about their salary, he stated that they're paying, in his opinion, 60 cents per hour lower than the unions around here, and he said further, "The unions will get a 65-cent-per-hour raise, and we'll get a 45-cent-per-hour raise."

I also had a chance to talk to some of the guys in the finish area. This seemed to be a typical eight-hour shift that consisted primarily of watching the beams run through the planer. They go back and clean it up so that it can be packaged and shipped out. One man's biggest complaint was that he was upset about the lunch-break change, which he stated was initiated by Rolf. It consisted of taking their one-hour lunch break and cutting it down to a half-hour. He stated that Rolf felt production would be increased by cutting down the lunch break. He seemed upset about this. I don't know his name. He lived five blocks away from the plant and didn't have time to go home to eat and then come back (on a half-hour break). He seemed to have a high degree of resentment toward Rolf, and he had no knowledge of what Rolf does.

I had an opportunity to meet with John, the quality-control man. He seemed like a very nice man. No real quotes. He was just there for a few minutes. He had had an eye operated on: I guess a new lens was put in. He seemed to talk with Joe very well. When I asked Joe about John, Joe stated John was officially to report to him; however, John reported to Rich, and that worked out for the best because quality control should really be removed from production somewhat. Joe seemed to see no conflict in that.

Mike's Notes

Mitch and I had a morning interview with Joe. Some of the quotes on management style were: "I don't know about this work team crap, oops, stuff," "Theories come and theories go," "I believe in giving my workers explicit instructions; perceptions differ, and you have to be sure they understand," and "I didn't like the politics of larger plants I've worked in." Also, Joe mentioned frustration over the lack of plant space. To a worker he mentioned, "You are frustrated, aren't you, Bill?"

During our tour, Joe set a brisk pace. He seemed to have quite a competent manner.

When Rich approached Joe about taking Mitch and me under his wing for a tour, I think Rich was intimidated by Joe. Rich had his back against the wall sideways to Joe, and he shifted his eyes from Joe to Mitch and me during the conversation.

Joe was more than a bit curious in regard to our plant visit objective. I said it was for a class project. Joe replied, "Oh, then it's theory." I explained we covered all the theories equally. Another quote from Joe: "A day's production lost is a day lost," delivered with a hint of frustration and impatience.

Joe's office contained numerous good-worker awards. One prominent sign contained a message roughly to the effect that "I am right in the end." My impression of the plant—there were no safety glasses on the workers. One worker had no helmet; there were no band-saw safety devices. Seemed pretty lackadaisical. During our initial interview with Joe, Darrell, a truck driver, was in the office. He talked good-naturedly with Joe, and he seemed to like Joe in general. Later on in the day I had an interview alone with Dirk. Dirk is the scheduler. Dirk has a master's in forestry from the University of Washington. Dirk mentioned that he spends half his time filling in various positions. He says one of the major problems is the transition between shifts. This is in regard to mistakes. One of Dirk's quotes: "There is no communication between shifts. Mainly people don't want to take the blame for mistakes." During the course of the interview, Dirk's manner was fidgety; he moved around a bit, but he seemed fairly open. A quote from Dirk: "The men change jobs so much that it is hard to train them. Everyone has to know what is needed in beams." This implies that workers weren't really trained well enough to know what was needed in beams. "Production people

go home after the quota." That was his perception of the amount of overtime worked. "Repairs after gluing are costly and difficult. Double checking is needed before they are glued together. Average beam is six thousand board feet, or approximately $840. I currently have seventy-five bastard beams I have to find a home for." Then Dirk went on to an example of mistakes made. A tapecloth shrunk two inches. They used this tape for quite some time before they finally found the mistake. He also mentioned there were frequent mixups between the $1^{3/16}$-inch and $1^{1/4}$-inch strips for laminated beams. Dirk's quote on the workers: "A few are incompetent; they just get soft warnings. Management should be harder on them."

Item on bidding or posting for jobs: seniority or ability (whoever they think will do best) decides who gets the job. On the workers: Morale is low. Safety and overtime are the main causes. On Rich, industrial relations: "The only contact I've had with him is when he came down and asked about people." I asked, "Who, what people?" and Dirk said, "I'd rather not say." On safety, he mentioned there are no physicals required. Later on in the interview, I asked why he didn't try to change things, seeing as he has a master's and seems to have his head together. Dirk mentioned, "Go up the line. Joe would listen." I said, "Listen?" and Dirk said, "Yeah, Joe would listen." At this point, Bruce, a bubbling and brassy guy who is a millwright in charge of special-projects maintenance, came in. The interview with Dirk was about thirty minutes under way; the next twenty minutes I spent with Dirk, he mentioned Ben Richardson, the president. I asked, "Do men like to see BR?" Dirk responded, "No, BR is bad news in the laminating plant." He also mentioned that in the year he has been there, BR had been down to the laminating plant only five times.

Item from Bruce: "I've had thirty projects in the year I've been here; I only finished one. Joe keeps jerking me around. As I get something operating but not all the kinks out, I'm on to something else." Bruce also mentioned that he is on emergency call every other week. He splits it with the other maintenance person.

The beam stacks before and after planing were mentioned as being in terrible disarray. Bruce mentioned that the Roseburg plants had a computer and a big yard with designated areas to organize their stacks. He said that this company should take a bulldozer and knock out the field to expand the outside stack area.

Item from Bruce: "Antiquated machinery. Maintenance is costly and time-consuming." Bruce commented on BR: "Joe thinks labor is cheap; we don't have that many benefits. An example of BR's attitude: one of his right-hand men got in a flap over the 3:30 A.M. shift parking down here instead of in the muddy, rutted parking lot an eighth of a mile up the road. Christ, they had a caterpillar running up there, and they didn't even smooth it out. Anyway, this guy tells Rolf, the super, if these guys are too lazy to walk down from the workers' parking lot, they can go work somewhere else." This was mentioned right in front of some of the men. Bruce went on to say, "It really makes us feel wanted." I then asked who was this guy, BR's right-hand man, and Bruce said, "I don't want to say.... What the hell, I'm quitting this heap in a while anyway. It was Wayne Teeterman, BR's special-projects director." During most of Bruce's spiel, Dirk appeared to be quite happy with what Bruce was saying; I'm sure he was glad he didn't have to say it himself.

It was mentioned that the sawmill didn't have a lunchroom, so the laminated plant felt favored. Also, Rolf mentioned that the bathroom was one of the best in BR's operations.

Bruce on Rolf: "He, Rolf, is a nice guy. Nobody respects him, though."

Dirk and Bruce mentioned that there are only six or seven men who have made it ten years in all of BR's five companies.

Dirk on Joe: "Joe does too much. He keeps it all in his head. He is efficient. It would take two people to replace him. He's overworked, he doesn't like the hours, and he's just trying to keep his job." Bruce concurred on the above points.

Bruce: "Stacks of beams are too high. Two of them fell last week. Damned near got me and another guy." I noted that the accidental death last year and its details were repeated to me three times during the day.

Bruce mentioned that he recently organized a softball team. "The first thing this plant has ever had. It's hard practicing and playing games with all the overtime. We went to BR to ask him for $700 to start it up. He gave us $250.

There's fourteen teams in our league, and the minimum anyone else has gotten is $700."

Dirk mentioned that the workers peak out at $8 an hour after one year. He seemed to think that money was a big motivating factor.

In response to my query why there was no union, Bruce and Dirk mentioned that hearsay has it that when union representatives came, BR said, "Fine, if you want a union, I'll just close the place down."

Dirk: "Communication is the main problem. Joe schedules some changes, and I never hear about them."

Bruce, on the foremen meetings with BR: "Hell, the foremen will have their say, and in the end BR will stand up and say, 'This is the way it's going to be because I pay the checks.'"

About five minutes before the session ended, Joe came in and with a friendly greeting said, "There you are," to Bruce and indirectly to Dirk. Dirk got up as if getting ready to go back to work. Bruce stalled. Bruce then said that he didn't know how BR made any money on the operation. Dirk giggled lightly and nodded his head.

In the afternoon, I spent an hour and a half to two hours with Rolf, the superintendent. About an hour of this talking was Rolf trying to prove his competence by divulging intricate, technical, and totally useless details of the plant. I got some tasty stuff anyway, and here it is:

Me: "What does Joe do?"

Rolf: "So doggone many things, I don't know." Then he went on to mention he is a general manager in charge of scheduling and raw materials procurement and to rattle off two or three more. I said, "What's your working relationship with Joe?" Rolf said, "I implement his schedules. Dirk, the head of the finishing and planing department, and I get Joe's schedules. Joe will skip me whenever he wants to make changes—goes right to planing and finishing. Then I have to go see what's going on." I asked him if he thought it would be more efficient if Joe went through him. Rolf said, "No, we get along well. Joe saves time by going directly to the workers. We spend a lot of time after the shift going over and discussing what happened and planning for the next day and weeks ahead."

Rolf mentioned that there are often schedule changes when customers' trucks pick up their orders. I wondered if maybe they could get tougher with the customers, and Rolf said, "No, we'd lose them."

Rolf mentioned that the company deals with brokers, not contractors. He said that customers sometimes cancel their orders.

On Bruce's idea of bulldozing a pasture to expand finish-beam storage, Rolf said that in the winter it was tough enough to keep the field clear with the current area.

Rolf on equipment: "BR gives us the junkiest stuff to work with." He went on to mention one particular piece of machinery that has four wheels and five feet of clearance (I don't know what it is called): "It has no brakes and no shut-off; you have to idle it to kill it."

On Joe: "Joe's good; he and I go to bat for the guys."

Me: "You must have a pretty little bat; I hear BR is a tough guy to get through to."

Rolf: "Yeah, he picks his battles."

On Dirk: "Effective, will improve with time; he doesn't always see the opportunities for utilizing stock beams. He has his master's degree in glue technology."

On John: "Quality control marginal." That's all he said.

On Nita, BR's secretary: "She doesn't always use her power right."

On Sue, Joe's secretary: "She does the work of two people. Has lots of customer respect; they often comment on her."

On Joe: "He's too intelligent for the job. I don't know why he does not get something better. I guess he likes to work."

On Rich: "Rich does his job well."

On the workforce: "There are three types of guys. One is eight to five and a paycheck—never volunteers or does anything extra—50% of the workforce. Second are the ones who use workers' compensation to get time off all the time; this is 20%. Workers' compensation is the biggest deterrent to an effective workforce," he went on to comment. "And third, the ones who try, 30%."

Rolf mentioned that 15 to 20% of the work hours were spent trying to unsort the beam piles, pre- and postplaner.

Rolf mentioned that architectural beams, 7 to 12% of the output, took three times as long to process as the plain beams.

On Joe again: "Joe does a good job of scheduling and customer relations."

On BR: "BR is secretive; he should keep the guys informed."

Rolf often has to juggle men around on their tasks and catches a lot of flack for this. I asked his criteria for deciding which men would go on which jobs. They were (1) how well the man will do the job and (2) how easy it is to replace him at his original task.

Rolf said overtime is a big problem. It's necessary to go through the jobs in order. Men never know how long they'll have to work. Lock-ups have to be finished. He mentioned that a good lock-up will take an hour, a bad one, one and a half to two hours. (A lock-up is essentially gluing and clamping the beam into a form.)

Rolf said he used to spend three hours a day on the glue crew. He doesn't do this anymore; he has a good crew. Eighty percent of the glue crew are good workers, in Rolf's opinion. He mentioned that two of the bad ones quit because they didn't want overtime. Also, Rolf noted that it was possible to avoid overtime by scheduling good or easy lock-ups. This was done when the glue crew had been putting in too much overtime.

Rolf stated that the overall problem with the operation was that everyone knows that "BR doesn't give a shit about them." I asked him if there was anything he liked about working for the company, and he said, "I like working for Joe." We ended the interview with Rolf saying, "Overall, it's not a bad place to work; the checks don't bounce."

PREPARING THE DIAGNOSIS

Jack Lawler leaned back in his chair and stretched. It had all come back. Now he needed a plan for working. It seemed that the first step was to determine what ideas, models, or theories would be useful in ordering and understanding the information he had. Then he would have to do a diagnosis and, finally, think about what to say to Ben Richardson and Richard Bowman. After buzzing his secretary to say that he didn't want to be interrupted, Lawler rolled up his sleeves and began to work.

Questions

1. How would you assess Jack Lawler's entry and contracting process at B. R. Richardson? Would you have done anything differently?
2. What theories or models would you use to make sense out of the diagnostic data? How would you organize the information for feedback to Ben Richardson and Richard Bowman? How would you carry out the feedback process?
3. What additional information would you have liked Jack Lawler and his team to collect? Discuss.

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integrative cases

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glossary

This glossary was prepared to help the reader to understand some of the more frequently used terms in OD. Not all the terms in the glossary appear in the text, but they are frequently used in the field. Conversly, the glossary does not attempt to define every term used in the text. Nevertheless, knowledge of the terms in the glossary can be useful in understanding what at times appears to be an overly specialized language.

Accountability Responsibility to produce a promised result within a specific time.

Achievement needs A phrase applied to an individual, referring to the desire to perform work successfully and to advance in one's career.

Achievement orientation In cross-cultural analysis, the extent to which a culture favors the acquisition of power and resources.

Acquisition The purchase of one organization by another. (See *Merger*.)

Action learning A form of action research in which the focus is helping organizations to learn from their actions how to create entirely new structures, processes, and behaviors. Also called *action science, self-design,* or *appreciative inquiry,* this process involves considerable trial-and-error learning as participants try out new ways of operating, assess progress, and make necessary adjustments. (See *Action research*.)

Action research A cyclical process of diagnosis-change-research-diagnosis-change-research. The results of diagnosis produce ideas for changes, the changes are introduced into the same system, and their effects noted through further research and diagnosis. The number of cycles may be infinite.

Active listening Reflecting back to the other person not only what the person has said but also the perceived emotional tone of the message.

Adaptive A term used to describe the behavior of many kinds of systems. Originally used mainly to describe individuals (for example, adaptive behavior), it is now applied to groups and organizations vis-à-vis their environment.

Alliance A partnership between two organizations where their resources and capabilities are combined to pursue mutual goals in developing, manufacturing, or distributing goods and services.

Appreciative inquiry A contemporary approach to planned change. Contrary to typical approaches that assume organizations are like problems to be solved, appreciative inquiry works under the assumption that organizations are like mysteries to be understood. A focus on the "best of what is" in an organization provides the necessary vision for change.

Authenticity A term synonymous with the colloquial phrase "to be straight with another person." It refers to one's openness and honesty.

Balanced scorecard A control and information system that balances traditional financial measures with operational measures relating to an organization's critical success factors.

Behavioral science A phrase for the various disciplines that study human behavior. As such, all of the traditional social sciences are included.

Benchmarking A process where companies find out how other companies do something better than they do and then try to imitate or improve on the activity.

Body language An important part of nonverbal communications that involves the transmittal of thoughts, actions, and feelings through bodily movements and how other people interpret them.

Boundary A term used to describe systems or fields of interacting forces. Boundaries can be physical, such as a wall between two departments in an organization. More subtly, boundaries can be social processes, such as the boundaries between ethnic groups. Boundaries can be temporal: Things done at different times are said to be *bounded* from each other. Any set of forces or factors that tend to differentiate parts of the system can be said to have a boundary effect.

Breakthrough A sudden and significant advance, especially in knowledge, technique, or results.

Career The sequence of behaviors and attitudes associated with past, present, and anticipated future work-related experiences and role activities. A career is work related and lifelong.

Career development Activities directed at helping people to attain career objectives. These may include skill training, performance feedback and coaching, job rotation, mentoring roles, and challenging and visible job assignments.

Career planning Activities aimed at helping people to choose occupations, organizations, and jobs. It involves setting individual career goals.

Change management The tools, techniques, and processes that scope, resource, and direct activities to implement a change. Change management is less concerned about the transfer of knowledge, skill, and capacity to manage change in the future than organization development.

Client system The person, group, or organization that is the object of diagnosis or change efforts. Often shortened to the client. The client may be in the same organization as the consultant, as in the case of a line manager who is the client of a staff group, or the client and consultant may be in different organizations.

Closed system The tendency to disregard relations between a system and its environment. This is often an unwitting simplification and, as such, can lead to error.

Closure, need for A commonly felt need to see something finished or brought to a logical end point. Sometimes it is used to describe a person who is uncomfortable with ambiguity and uncertainty.

Coaching An intervention designed to improve the competencies of individual organization members through committed support, feedback, new views of work, new visions of the organization, and new ways of relating to people.

Collateral organization A parallel, coexisting structure that can be used to supplement the existing formal organization. It is generally used to solve ill-defined problems that do not fit neatly into the formal organizational structure.

Communication, one-way and two-way One-way communication describes an interaction in which one or both parties are paying little attention to what the other is saying or doing. In two-way communication, presumably both parties are engaging and responding to each other.

Competency The skills and knowledge necessary to carry out some specific activity or task.

Conflict management Management's task is to manage conflict by reducing or stimulating it, depending upon the situation, in order to develop the highest level of organizational performance.

Conformance The outputs produced as a part of work and passed on or delivered to the customer that will meet all the requirements to which the producer and the customer have agreed.

Confront The process by which one person attempts to make another person aware of aspects of behavior of which he or she seems unaware. It is used increasingly in the phrase *a confronting style* to describe a person who habitually gives such feedback to others.

Confrontation meeting A structured intervention that helps two (or more) groups resolve interdepartmental misunderstandings or conflict.

Consultant An individual (change agent) who is assisting an organization (client system) to become more effective. An external consultant is not a member of the system. An internal consultant is a member of the organization being assisted but may or may not have a job title that identifies the individual as such.

Content analysis A data analysis technique that derives themes from qualitative data such as interview responses.

Contingency approach This approach suggests that there is no universal best way to design an organization, that the design instead depends upon the situation.

Continuous improvement A philosophy of designing and managing all aspects of an organization in a never-ending quest for quality. The notion is that no matter how well things are going, there are always opportunities to make them better, and hundreds of small improvements can make a big difference in overall functioning. Also known as kaizen.

Contract A formal or informal agreement between the change agent and the client system to perform certain work. The contract typically identifies roles, expectations, resources, and other information required to successfully carry out the consultation process.

Core job dimensions These are the five basic dimensions of work, including skill variety, task identity, task significance, autonomy, and feedback.

Corporate culture This is the pattern of values, beliefs, and expectations shared by organization members. It represents the taken-for-granted and shared assumptions that people make about

how work is to be done and evaluated and how employees relate to one another and to significant others, such as suppliers, customers, and government agencies.

Cost of quality The financial impact of poor quality. The cost of quality consists of the cost of conformance, nonconformance, and lost opportunity. The cost of conformance includes expenses associated with prevention measures, inspection, and appraisal. The cost of nonconformance is the dollar impact of not meeting customer expectations. The cost of lost opportunity is the revenue forgone when a customer leaves or does not renew a relationship with the organization.

Customer The person who receives the product of work. A customer may be either internal or external.

Data-based intervention A specific technique inaction research. It follows some data collection phase and is an input into the system using the data that have been collected. Alternatively, it can be the act of presenting the data to members of the system, thus initiating a process of system self-analysis.

Defensive A term widely used to describe any kind of resistant behavior.

Development organizations See Global social *change organizations.*

Diagnosis The process of collecting information about a client system and working collaboratively with it to understand the system's current functioning. Diagnosis follows entry and contracting, and precedes action planning and implementation. Diagnosis is expected to point to possible interventions to address system effectiveness.

Differentiation The extent to which individual organizational units are different from each other along a variety of dimensions, such as time, technology, or formality. High uncertainty leads to the need for more differentiation, and low uncertainty leads to the need for less.

Dissonance A term reflecting the behavioral consequences of knowing two or more incompatible things at one time. Dissonance may be used to describe incompatibility in a person's point of view.

Diversity The mix of gender, age, disabilities, cultures, ethnic backgrounds, and lifestyles that characterize the organization's workforce and potential labor pool.

Dominant coalition That minimum group of cooperating employees who control the basic policymaking and oversee the operation of the organization as a whole.

Double-loop learning Organizational behaviors directed at changing existing valued states or goals. This is concerned with radically transforming an organization's structure, culture, and operating procedures. (See *Single-loop learning* and *Organization transformation.*)

Downsizing Interventions aimed at reducing the size of the organization. Although typically associated with layoffs and reductions in force, downsizing also includes attrition, early retirement, selling businesses or divisions, outsourcing, and delayering.

Dyad Two people and their dynamic interrelations; more informally, two people. Its usage has been extended recently to triad, or three people.

Dysfunctional Those aspects of systems that work against the goals. The term is meant to be objective but is often used subjectively to refer to the bad parts of systems. (See *Functional.*)

Empathic From empathy; to be able to project oneself into another's feelings and hence to understand the other person. It is used relatively interchangeably with *sensitive* and *understanding.*

Employee involvement Any set of technostructuralinterventions, such as quality circles, highinvolvement organizations, or total quality management, that adjust the power, information flows, rewards, and knowledge and skills in an organization. Also known as quality of work life.

Encounter An entire collection of interventions or techniques that aim to bring people into close and more intimate relations.

Enterprise resource planning (ERP) An information system that collects, processes, and provides data and information about a company, including order processing, product design, purchasing inventory, manufacturing distribution, human resources, procurement, and forecasting.

Entry The process that describes how an OD practitioner first encounters and establishes a relationship with a client system.

Environment The physical and social context within which any client system (a person, group, or organization) is functioning.

Ethics Standards of acceptable behavior for professional practicing in a particular field, such as law, medicine, or OD. In OD, it concerns how practitioners perform their helping relationship with organization members.

Evaluation feedback Information about the overall effects of a change program. It is generally used for making decisions about whether resources should continue to be allocated to the program.

Expectancy The belief, expressed as a subjective estimate or odds, that a particular act will be successful.

Expectancy model A model of motivation suggesting that people are motivated to choose among different behaviors or intensities of effort if they believe that their efforts will be rewarded in a meaningful fashion.

Experiential A kind of learning process in which the content is experienced as directly as possible, in contrast to being simply read or talked about. The term applies to a wide variety of training techniques. It is often used in the phrase experiential level, in contrast to cognitive level.

Expert power The power and influence that a person has in a situation by virtue of technical or professional expertise. (See *Power.*)

External validity A research term concerned with assessing the general applicability of interventions. This helps to identify contingencies upon which the success of change programs depend. (See *Internal validity.*)

Facilitate A process by which events are "helped to happen." Facilitating is a kind of influence role that is neither authoritarian nor abdicative.

Feedback Information regarding the actual performance or the results of the activities of a system. In communications, it concerns looking for and using helpful responses from others.

Filtering A barrier to communication that occurs when the sender intentionally shifts or modifies the message so that it will be seen more favorably by the receiver.

Fishbowl An experiential training technique in which some members of a group sit in a small inner circle and work the issue while other members sit in an outer circle and observe.

Force-field analysis A qualitative tool that analyzes the forces for and the forces resisting change. It implies two change strategies, increasing the forces for change or decreasing the resistance to change.

Formal (leader, organization, system) A term introduced originally in the Hawthorne studies to designate the set of organizational relationships that were explicitly established in policy and procedure (for example, the *formal organization*). The term has been prefixed to many types of organizational phenomena.

Functional The term describes those parts of a system that promote the attainment of its goals. It comes from a mode of systems analysis that seeks to explain systems by understanding the effects that parts of the system have on one another and the mutual effects between the system and its environment.

Gain sharing This involves paying employees a bonus based upon improvements in the operating results of an organization or department. It generally covers all employees working in a particular department, plant, or company and includes both a bonus scheme and a participative structure for eliciting employees' suggestions and improvements.

Gatekeeping A term from group dynamics that describes a person in a group who regulates interaction patterns by asking people for their ideas or suggestingto others that they should talk less.

Global social change organizations Not-forprofit and nongovernmental organizations whose primary purpose is to bring about change, such as ecological awareness, hunger relief, children's rights, or political stability in a community or society.

Global strategy A worldwide strategy characterized by goals of efficiency and volume; this strategy views the world as one homogenous market.

Goal setting Activities involving managers and subordinates in jointly setting subordinates' goals, monitoring them, and providing counseling and support when necessary.

Group dynamics A set of variables, including power and influence, norms, conflict, communication, decision making, or trust, that individually and collectively describe the functioning of a group

Group maintenance Those behaviors exhibited by members of a group that are functional for holding the group together, increasing members' liking for each other, and differentiating the group from its environment.

Group task activities Activities that are directed at helping the group accomplish its goals. Successful groups are more able to properly combine group maintenance and group task activities than are less successful groups.

Groupthink A form of decision making that occurs when the members' striving for unanimity and closeness overcomes their motivation to realistically appraise alternative courses of action.

Growth A term reflecting theorists' and practitioners' concern for improvement in personal, group, and organizational behavior. Identification of growth stages, rates, and directions is a major focus of contemporary theory and research.

Growth needs The desire for personal accomplishment, learning, and development. An important contingency affecting work design

successes; for example the greater people's growth needs, the more responsive they are to enriched forms of work.

Hawthorne effect When workers' behavior changes and productivity increases because the workers are aware that persons important in their lives are taking an inteest in them.

Hidden agenda An undisclosed motive for doing or failing to do something. For example, a plant manager began to use team-building sessions, not because he wanted them but because he knew that his boss was in favor of such sessions.

Human resource systems These comprise mechanisms and procedures for selecting, training, and developing employees. They may include reward systems, goal setting, career planning and development, and stress management.

Ideal future state An articulated vision of the ideal state of the organization; the desired culture, infrastructure, and operation. What does it look like, sound like, feel like? What are people doing, with whom, and how? An ideal future state serves as the direction for present-day change efforts; it serves to bring the future into the present.

Implementation feedback Refers to information about whether an intervention is being implemented as intended. It is generally used to gain a clearer understanding of the behaviors and procedures required to implement a change program and to plan for the next implementation steps. (See *Evaluation feedback*.)

Individualism In cross-cultural analysis, the extent to which a country's culture supports individual growth, development, and achievement.

Industry structure The overall attractiveness of an industry as determined by the power of buyers, power of suppliers, threat of entry, threat of substitute products/services, and rivalry among firms.

Informal (leader, group, organization, system) A term introduced in the Hawthorne studies to designate the set of organizational relationships that emerge over time from the day-to-day experiences that people have with one another. Informal relationships are expressive of the needs that people actually feel in situations, in contrast to needs their leaders think they should feel.

Inputs Human or other resources, such as information, energy, and materials, coming into the system or subsystem. Also, more informally, used to describe people's contributions to a system, particularly their ideas.

Institutionalization Refers to making organizational changes a permanent part of the organization's normal functioning.

Integrated strategic change A model of largescale organization change that integrates principles of strategic management with processes of planned change. It involves strategic analysis, strategic choice, strategic change plan design, and strategic change plan implementation.

Integration The state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment. The term is used primarily for contingency approaches to organizational design. (See *Differentiation*.)

Interaction Almost any behavior resulting from interpersonal relationships. In human relations, it includes all forms of communication, verbal and nonverbal, conscious and unconscious.

Internal validity A research term concerned with assessing whether an intervention is responsible for producing observed results, such as improvements in job satisfaction, productivity, and absenteeism. (See *External validity*.)

Intervention Any action on the part of a change agent. Intervention carries the implication that the action is planned and deliberate and presumably functional. Many suggest that an OD intervention requires valid information, free choice, and a high degree of ownership by the client system of the course of action.

Jargon Overly specialized or technical language.

Job diagnostic survey (JDS) A questionnaire designed to measure job characteristics on such core dimensions as skill variety, task identity, task significance, autonomy, and feedback.

Job enrichment A way of making jobs more satisfying by increasing the skill variety, task identity, significance of the task, autonomy, and feedback from the work itself.

Joint optimization The goal of the sociotechnical system theory approach to work design that states that an organization will function best only if its social and technical systems are designed to fit the needs of one another and the environment.

Joint venture A separate entity for sharing development and production costs and penetrating new markets that is created by two or more firms.

Knowledge management (KM) A process that focuses on how knowledge can be organized and used to improve organization performance.

KM tends to focus on the tools and techniques that enable organizations to collect, organize, and translate information into useful knowledge. Organizationally, KM applications are often located in the information systems function and may be under the direction of a chief technology officer. (See *Organization learning.*)

Lab A shorthand term for a wide variety of programs that derive from the laboratory method of training, or T-group, an approach that is primarily experiential.

Large-group interventions Any of several techniques, such as search conferences and open space, designed to work with a whole system, including organization members, suppliers, customers, and other stakeholders.

Leadership A process of influence exercised when institutional, political, psychological, and other resources are used to arouse, engage, and satisfy the motives of followers.

Leadership development A training and education intervention aimed at improving the competencies of managers and executives of an organization.

Learning organization An organization where everyone is involved in identifying and solving roblems, enabling the organization to continuously experiment, improve, and increase its capability.

Management by objectives (MBO) A process of periodic manager–subordinate or group meetings designed to accomplish organizational goals by musound like, feel like? What are people doing, with whom, and how? An ideal future state serves as the direction for present-day change efforts; it serves to bring the future into the present. tual planning of the work, review of accomplishments, and mutual solving of problems that arise in the course of getting the job done.

Management development Training or other processes to increase managers' knowledge and skills in order to improve performance in present jobs or prepare them for promotion. Increasingly tied to career planning and development.

Marginality The degree to which an individual or role must straddle the boundary between two or more groups with differing goals, values systems, and behavioral patterns.

Matrix organization An approach for integrating the activities of different specialists while maintaining specialized organizational units.

Mechanistic organization This type of organization is highly bureaucratic. Tasks are specialized and clearly defined. This is suitable when markets and technology are well established and show little change over time.

Merger The formal and legal integration of two or more organizations into a single entity. (See Acquisition.)

Microcosm group A small, representative group selected from the organization at large to address important organizational issues. The key feature of the group is that it is a microcosm or representation of the issue itself.

Mission A statement of the organization's purpose, range of activities, character, and uniqueness.

Model A simplification of some phenomenon for purposes of study and understanding. The concrete embodiment of a theory. To behave in an idealized way so that others might learn or change their behavior by identifying with and adopting those behaviors displayed.

Motivation The conditions responsible for variation in the intensity, quality, and direction of ongoing behavior.

Motivation-hygiene model Originally developed by Frederick Herzberg and associates, the model describes factors in the workplace that dissatisfy people and factors that motivate them.

Multinational strategy A worldwide strategy with goals of local responsiveness and specialization; views the worldwide market as heterogeneous and requiring product and service customization.

Need A central concept in psychology, referring to a biological or psychological requirement for the maintenance and growth of the human animal. It is used among practitioners chiefly to refer to a psychological demand not met in organizational life, with the emphasis on the search for ways in which more such wants can be satisfied.

Need hierarchy A particular theory about the operation of human needs introduced by Abraham Maslow. The model of motivation describes a hierarchy of needs existing within people. The five need levels are physiological, safety, social, ego, and selfactualization. The theory says that higher needs cannot be activated until lower needs are relatively satisfied. This particular theory also was the basis for McGregor's Theory X Theory Y formulation.

Network organization A newly emerging organization structure that involves managing an interrelated set of organizations, each specializing in a particular business function or task. This structure extends beyond the boundaries of any single organization and involves linking different organizations

to facilitate interorganizational exchange and task coordination. (See *Transorganizational development.*)

Norms Rules regulating behavior in any social system. They are usually unwritten and are more specific and pointed than values in that deviations from norms are followed by such punishments as kidding, silent disapproval, or in the extreme, banishment.

Off-site Away from the regular place of work, as an off-site lab or conference.

Openness Accepting the communications and confrontations of others and expressing oneself honestly, with authenticity.

Open space meeting See Large-group interventions.

Open system The need to take into account relations between a system and its environment. This concept in systems theory is borrowed from the biological sciences. It refers to the nature and functions of transactions that take place between a system and its environment.

Open-systems planning A method for helping organizations or groups to systematically assess their task environment and develop a strategic response to it.

Organic organization This type of organization is relatively flexible and relaxed. The organic style is most appropriate to unstable environmental conditions in which novel problems continually occur. (See *Mechanistic organization.*)

Organization design Involves bringing about a coherence or fit among organizational choices about strategy, organizing mode, and mechanisms for integrating people into the organization. The greater the fit among these organizational dimensions, the greater will be the organizational effectiveness.

Organization development (OD) The systemwide application and transfer of behavioral science knowledge to the planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness.

Organization development practitioner A generic term for people practicing organization development. These individuals may include managers responsible for developing their organizations or departments, people specializing in OD as a profession, and people specializing in a field currently being integrated with OD (for example, strategy or human resource management) who have gained some familiarity with and competence in OD.

Organization effectiveness An overall term that refers to the outputs of organization strategy and design. Typically includes financial performance, such as profits and costs; stakeholder satisfaction, such as employee and customer satisfaction; and measures of internal productivity, such as cycle times.

Organization learning (OL) A change process that seeks to enhance an organization's capability to acquire and develop new knowledge. It is aimed at helping organizations use knowledge and information to change and improve continually. It involves discovery, invention, production, and generalization. In organizations, OL change processes are typically associated with the human resource function and may be assigned to a special leadership role, such as chief learning officer. (See *Knowledge management.*)

Organization transformation A process of radically altering the organization's strategic direction, including fundamental changes in structures, processes, and behaviors. (See *Double-loop learning.*)

Parallel learning structure See Collateral organization.

Participative A term used to describe techniques used by a power figure that aim to involve subordinate, lower-power persons in the decision-making process of an organization (for example, participative management). One aim is to increase the sense of commitment to organizational goals.

Performance appraisal A human resource system designed to provide feedback to an individual or group about its performance and its developmental opportunities. The performance appraisal process may or may not be closely linked to the reward system.

Performance management A constellation of processes that involve goal setting, performance appraisal, and reward systems that guide, develop, reinforce, and control member behavior toward desired organizational outcomes.

Planned change A generic phrase for all systematic efforts to improve the functioning of some human system. It is a change process in which power is usually roughly equal between consultants and clients and in which goals are mutually and deliberately set.

Power The ability to influence others so that one's values are satisfied. It may derive from several sources, including organizational position, expertise, access to important resources, and ability to reward and punish others.

Power distance In cross-cultural analysis, the extent to which people in a country accept large differences in status, income, authority, and equality.

Presenting problem The most salient reason the client system has asked for help from a change agent. For example, a conflict between two people can be a presenting problem or symptom that is caused by structural problems. The presenting problem is often a symptom of the true underlying problem that diagnosis is expected to uncover.

Problem-solving process A systematic, disciplined approach to identifying and solving work-related problems.

Process The way any system is going about doing whatever it is doing. Social process is the way persons are relating to one another as they perform some activity. Organizational process is the way different elements of the organization interact or how different organizational functions are handled.

Process-based organizations A type of organization structure that uses teams focused on the accomplishment of core work processes.

Process consultation A set of activities on the part of the consultant that helps the client to perceive, understand, and act upon the process events that occur in the client's environment.

Process observation A method of helping a group to improve its functioning, usually by having an individual watch the group in action and then feeding back the results. Interviews may also be used. The group (or individuals) then use the data to improve its functioning.

Production group A work group that is separated (by a boundary) from other work groups so that they can operate with relative independence.

Profit An accounting term that measures total revenues minus total costs.

Quality (outcome) Meeting and exceeding customer needs for both internal and external customers.

Quality (process) The continuing commitment by everyone in the organization to understand, meet, and exceed the needs of its customers.

Quality circles Small groups of workers who meet voluntarily to identify and solve productivity problems. These are typically associated with Japanese methods of participative management.

Quality of work life (QWL) A way of thinking about people, work, and organization involving a concern for employee well-being and organizational effectiveness. It generally results in employee participation in important work-related problems and decisions.

Quasi-experimental research designs These designs enable OD evaluators to rule out many rival explanations for OD results other than the intervention itself. They involve choices about what to measure and when to measure; they are most powerful when they include longitudinal measurement, a comparison unit, and statistical analysis.

Re-engineering An intervention that focuses on dramatically redesigning core business processes. Successful re-engineering is often closely related to changes in an organization's information systems.

Refreezing The stabilization of change at a new state of equilibrium.

Return on assets (ROA) An accounting measure formed by the ratio of profits to total assets.

Reward power The present or potential ability to award something for worthy behavior. (See *Power.*)

Rewards, extrinsic Rewards given by the organization, such as pay, promotion, praise, tenure, and status symbols.

Rewards, intrinsic Rewards that must originate and be felt within the person. Intrinsic rewards include feelings of accomplishment, achievement, and self-esteem.

Role A set of systematically interrelated and observable behaviors that belong to an identifiable job or position. Role behavior may be either required or discretionary.

Role ambiguity A result of inadequate information regarding role-related expectation and understanding. This occurs when the individual does not clearly understand all the expectations of a particular role.

Role conflict A result of a conflict between managerial or individual expectations and managerial or individual experiences with regard to performance of the role.

Search conference A 1- to 3-day meeting involving as many organizational stakeholders as possible to reflect on the past, appreciate the present, and envision the future. The search conference specifically avoids a problem-solving approach in an effort to energize the organization toward a new way of working. (See also *Large-group interventions.*)

Selective perception The tendency to perceive only a part of a message, to screen out other information.

Self-awareness A positive goal of most training techniques that aim at behavior changes. Selfawareness means becoming aware of one's existing patterns of behavior in a way that permits a relatively nondefensive comparison of those patterns with potential new ones.

Self-designing organizations A change program aimed at helping organizations to gain the capacity to fundamentally change themselves. It is a highly participative process, involving multiple stakeholders in setting strategic direction, designing appropriate structures and processes, and implementing them. This process helps organizations to learn how to design and implement their own strategic changes.

Self-regulating work group A work group that has a clearly defined series of tasks and a clear boundary so that the group can be generally responsible for its own output, quality, and work space. Also known as a *self-managing team.*

Self-serving activities Activities that satisfy individual needs at the expense of the group.

Sensitivity training A method of helping individuals to develop greater self-awareness and become more sensitive to their effect on others. Individuals learn by interaction with other members of their group.

Single-loop learning Organizational behaviors directed at detecting and correcting deviations from valued states or goals. This is concerned with fine-tuning how an organization currently functions. (See *Double-loop learning.*)

Six sigma A quality standard that specifies a goal of no more than 3.4 defects per million occurrences of an activity or process. Also refers to a management initiative emphasizing the pursuit of higher quality and lower costs.

Skill training Training that is more concerned with improving effectiveness on the job than with abstract learning concepts.

Smoothing Dealing with conflict by denying or avoiding it.

Social construction of reality An approach concerned with the processes by which people, their values, and commonsense and scientific knowledge produce meaning and reality.

Sociotechnical system A term that refers to simultaneously considering both the social system (human) and the technical system in order to best match the technology and the people involved.

Stakeholder A person or group having a vested interest in the organization's functioning and objectives.

Strategic change An approach to bringing about an alignment or congruence among an organiza tion's strategy, structure, and human resource systems, as well as a fit between them and the larger environment. It includes attention to the technical, political, and cultural aspects of organizations.

Strategy A plan of action defining how an organization will use its resources to gain a competitive advantage in the larger environment. It typically includes choices about the functions an organization will perform, the products or services it will provide, and the markets and populations it will serve.

Stress management Activities aimed at coping with the dysfunctional consequences of work-related stress. These generally include diagnosing the causes and symptoms of stress and taking action to alleviate the causes and to improve one's ability to deal with stress.

Structure The structure of a system is the arrangement of its parts. Also, jargon for a change strategy that focuses on the formal organization. This is a particularly important class of interventions when the target for change is an entire organization.

Subsystem A part of a system. A change in any subsystem has an effect on the total system.

Survey feedback A type of data-based intervention that flows from surveys of the members of a system on some subject and reports the results of the surveys to the client system for whatever action appears appropriate.

System A set of interdependent parts that together make up a whole; each contributes something and receives something from the whole, which in turn is interdependent with the larger environment.

T-groups A method of helping individuals to develop greater self-awareness and become more sensitive to their effect on others. Individuals learn by interaction with other members of their group.

Task control The degree to which employees can regulate their own behavior to convert incoming materials into finished (or semifinished) products or other outputs.

Task force A group established to solve a particular problem (it may be disbanded when its work is accomplished).

Team building The process of helping a work group to become more effective in accomplishing its tasks and in satisfying the needs of group members.

Technology Consists of the major techniques (together with their underlying assumptions about cause and effect) that an organization's employee use while engaging in organizational processes or that are programmed into the machines and other equipment.

Theory X Typical Theory X managers believe that people dislike work and will avoid it whenever possible. Such managers feel that they themselves are a small, elite group of individuals who want to lead and take responsibility but that the larger mass of people want to be directed and avoid responsibility.

Theory Y Typical Theory Y managers usually assume that workers will accept responsibility provided they can satisfy personal needs and organizational goals at the same time.

Third-party intervention Activities aimed at helping two or more people within the same organization to resolve interpersonal conflicts.

Total quality management (TQM) A comprehensive and large-scale intervention that aims to focus all organization systems on the continuous improvement of quality.

Training An educational intervention typically focused, on supervisors and individual contributors that is intended to increase the skills and knowledge of the workforce.

Transition state A condition that exists when the organization is moving from its current state to a desired future state. During the transition state, the organization learns how to implement the conditions needed to reach the desired future; it typically requires special structures and activities to manage this process.

Transformational change A radical change in how members perceive, think, and behave at work.

Transnational strategy A worldwide strategy with goals of customized products/services and efficient and responsive operations. Attempts to integrate operations on a worldwide basis.

Transorganizational development An intervention concerned with helping organizations to join into partnerships with other organizations to perform tasks or solve problems that are too complex and multifaceted for single organizations to resolve. Includes the following cyclical stages: identification, convention, organization, and evaluation.

Trust level The degree of mutual trust among a set of persons. Raising the trust level is usually a major goal of team building.

Uncertainty avoidance In cross-cultural analysis, the extent to which people in a culture avoid risk taking and prefer routine, knowable situations.

Unfreezing A reduction in the strength of old values, attitudes, or behaviors.

Value judgment Statement or belief based on or reflecting the individual's personal or class values.

Values Relatively permanent ideals (or ideas) that influence and shape the general nature of people's behavior.

Visioning A process typically initiated by key executives to define the mission of the organization and to clarify desired values for the organization, including valued outcomes and valued organizational conditions.

Work design The arrangement of tasks, people, and technology to produce both psychological outcomes and work performance.

Some of the terms used in this glossary were taken or adapted from *Reference Book: Organizational Effectiveness* (Fort Leavenworth, Kan.: U.S. Army Command and General Staff College, 1979).

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